

ZF MGCAWU DISTRICT MUNICIPALITY



2015/2016

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2016

ZF MGCAWU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

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GENERAL INFORMATION

EXECUTIVE MAYOR

A. Vosloo

SPEAKER

P. Wetbooi

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor: A. Vosloo

Councillors: P. Wetbooi
B. Sinxeve
P.M.Mgcera
G.H. Mothibi
M. Moalosi

GRADING OF THE LOCAL AUTHORITY

Grade 3

AUDITORS

External – Auditor General: Kimberley
Internal – Internal Audit Unit

PRIMARY BANKER

ABSA

REGISTERED OFFICE

c/o Upington 26 Avenue & Dr Nelson Mandela Drive
Upington
8801

Private Bag X6039
Upington
8800

Telephone: (054) 337 2800
Fax: (054) 337 2888

E-Mail: admin@zfm-dm.gov.za
Website: www.zfm-dm.co.za

MUNICIPAL MANAGER

E. Ntoba

CHIEF FINANCIAL OFFICER

P. Beukes

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GENERAL INFORMATION (continued)

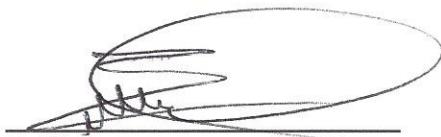
REVIEW OF FINANCIAL STATEMENTS

The Annual Financial Statements were reviewed by the Audit Committee, Internal Audit Unit, MPAC and Management before it was approved by the Municipal Manager.

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 8 to 116, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information on 31 August 2016.

A handwritten signature in black ink, consisting of a large, stylized 'E' followed by several loops and a horizontal line at the bottom.

E. Ntoba
MUNICIPAL MANAGER
31 August 2016

ZF MGCAWU DISTRICT MUNICIPALITY**ANNUAL FINANCIAL STATEMENTS****for the year ended 30 June 2016****MEMBERS OF THE COUNCIL**

NAME	POSITION	PARTY	PERIOD
G. van Staden	Mayor	ANC	Resigned: 27/10/2015 Commencement: 03/06/2011
A. Vosloo	Mayor	ANC	Commencement: 30/10/2015
A. Vosloo	Speaker	ANC	Appointed as Mayor: 30/10/2015 Commencement: 28/08/2015
P. Wetbooi	Speaker	ANC	Commencement: 30/10/2015
P. Wetbooi	Mayoral Committee	ANC	Appointed as Speaker: 30/10/2015 Commencement: 03/06/2011
B. Sinxeve	Mayoral Committee	ANC	Commencement: 03/06/2011
G. H. Mothibi	Mayoral Committee	ANC	Commencement: 03/06/2011
M. Moalosi	Mayoral Committee	ANC	Commencement: 10/11/2015
P.M. Mgcera	Mayoral Committee	ANC	Commencement: 03/06/2011
C. Tieties	Councillor	DA	Commencement: 03/06/2011
P.M. Kotze	Councillor	DA	Commencement: 03/06/2011
A. de Bruin	Councillor	COPE	Commencement: 01/06/2014
K. Dodds	Councillor	ANC	Commencement: 03/06/2011
M. Oliphant	Councillor	ANC	Commencement: 03/06/2011
M. Mabilo	Councillor	TCF	Commencement: 03/06/2011
A. Isaacs	Councillor	ANC	Commencement: 03/06/2011
J. Thomas	Councillor	COPE	Commencement: 01/07/2012
D.Z Ntlanganiso	Councillor	ANC	Commencement: 01/02/2013
S.P. May	Councillor	ANC	Commencement: 03/06/2011
E. Mnyaka	Councillor	ANC	Commencement: 03/06/2011
J. Assegaai	Councillor	DA	Commencement: 03/06/2011
B. Bock	Councillor	ANC	Commencement: 03/06/2011
J. Joseph	Councillor	DA	Commencement: 20/08/2013 Resigned: 31/12/2015
K. Esau	Councillor	ANC	Commencement: 01/01/2016
A. M. van Wyk	Councillor	DA	Commencement: 12/11/2014

ZF MGCAWU DISTRICT MUNICIPALITY


ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2016

MEMBERS OF THE COUNCIL (continued)

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution and according to the Government Gazette 39548 dated 21/12/2015. This read with the Remuneration of Public Officer Bearers Act, Circular 40/2012 dated 10/12/2012 of SALGA and the Minister of Provincial and Local Government's determination in accordance with this Act.



E. Ntoba
MUNICIPAL MANAGER

31 August 2016

ZF MGCAWU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

FOREWORD

During the 2015/16 financial year the municipality was under severe pressure to ensure compliance to various changes in legislation and continue with implementation of Generally Recognised Accounting Practice (GRAP) standards. The municipality was however able to meet the challenges set by a changing legislative and accounting environment.

The District Municipality, as part of improving service delivery to the community, implemented proper communication channels through the local municipalities that have the Ward Committee and Community Development Workers systems at their disposal.

Appropriate planning has to take the realities and needs of the people and the conditions of different locations into account. The role of the District Municipality is to ensure that the local municipalities spend all their funds on projects that will benefit the communities.

Essentially local municipalities are expected to spend their funds in an accountable manner to ensure that they improve their audit outcomes.

All our support efforts as stipulated in Section 83 of the Municipal Structures Act are geared towards ensuring that local municipalities migrate from negative audit outcomes to more positive outcomes.

Although capital projects were limited to those financed from external grant funding the Municipality has successfully implemented the projects identified in the Integrated Development Plan / Budget for 2015/16 financial year. The Municipality will continue in the 2016/17 financial year to implement uncompleted projects for the previous financial year and those projects identified in the IDP / Budget for the current year.

Service delivery and the eradication of infrastructure backlogs remain a serious concern to all in local government. All role-players must ensure that they work together to overcome the legacy of the past and ensure that we uplift the living conditions of our people.

I hereby wish to thank the members of the Mayoral Committee and Council together with staff for their commitment during the year, ensuring that we meet the set targets for the year.

I thank you.



A. Vosloo
EXECUTIVE MAYOR
31 August 2016

ZF MGCAWU DISTRICT MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2016

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of ZF Mgcawu District Municipality at 30 June 2016 and the results of its operations and cash flows for the year then ended.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework are set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2016 indicates a decrease in Net Assets, an increase in Non-current Liabilities and an increase in Current Liabilities.

The decrease in Net Assets is ascribed primarily to the decrease in Accumulated Surplus as a result of the deficit generated on the operating account.

The increase in Non-current Liabilities is primarily as a result of the increase in Employee Benefit Liabilities. The increase in Current Liabilities is primarily as a result of the increase in Payables from Exchange Transactions and Unspent Conditional Grants and Receipts.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the Municipality.

Financial Statement Ratios:

INDICATOR	2016	2015
Surplus / (Deficit) before Appropriations	(2 610 519)	(4 713 246)
Surplus / (Deficit) at the end of the Year	(15 767 767)	(13 157 247)
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	68.46%	67.32%
Remuneration of Councillors	5.39%	5.39%
Depreciation and Amortisation	1.03%	1.68%
Impairment Losses	0.56%	0.21%
Repairs and Maintenance	1.16%	0.95%
Interest Paid	0.06%	0.20%
Contracted Services	0.05%	0.05%
Grants and Subsidies Paid	8.56%	7.00%
General Expenses	14.73%	17.02%
Loss on Disposal of Property, Plant and Equipment	0.00%	0.18%

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

ZF MGCAWU DISTRICT MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2016

REPORT OF THE CHIEF FINANCIAL OFFICER

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R468 053 (2014/15: R780 160). Full details of Assets are disclosed in the Annual Financial Statement Notes 5, 6 and Appendices "B, C and E (4)".

The capital expenditure of R468 053 was financed as follows:

DETAILS	Actual 2015/16 R	Actual 2014/15 R	Percentage Variance %	Budgeted 2015/16 R	Variance actual/ budgeted %
Grants and Subsidies	253 629	470 370	(46.08)	602 445	(57.90)
Own Funds (Equitable Share)	214 424	309 790	(30.78)	-	100.00
	468 053	780 160	(40.01)	602 445	(22.31)

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2016	2015
Grants and Subsidies	54.19%	60.29%
Own Funds (Equitable Share)	45.81%	39.71%
	100.00%	100.00%

Capital Assets are funded to a great extent from grants and subsidies as the Municipality does not have the financial resources to finance capital expenditure from its own funds.

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2016	2015
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	1 092 636	2 018 333
Revenue variances	(6 560 580)	(3 906 339)
Expenditure variances:		
Employee Related Costs	(1 098 112)	(3 720 704)
Remuneration of Councillors	402 249	(99 162)
Depreciation and Amortisation	233 531	(135 998)
Impairment Losses	35 633	(123 306)
Repairs and Maintenance	194 878	(48 859)
Interest Paid	175 291	6 095
Contracted Services	46 948	2 385
Grants and Subsidies Paid	1 199 986	898 488
General Expenses	1 667 021	504 446
Loss on disposal of Property, Plant and Equipment	-	(108 623)
Actual surplus / (deficit) before appropriations	(2 610 519)	(4 713 246)

ZF MGCAWU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

REPORT OF THE CHIEF FINANCIAL OFFICER

DETAILS	2016	2015
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	1 092 636	2 018 333
Executive and Council	652 123	(675 682)
Budget and treasury office	(4 018 832)	(4 530 190)
Corporate services	340 161	(1 706 765)
Technical Services	(676 607)	181 057
Actual surplus / (deficit) before appropriations	(2 610 519)	(4 713 246)

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Statement of Comparison of Budget and Actual Amounts.

5.2 Capital Budget:

DETAILS	Actual 2015/16 R	Actual 2014/15 R	Variance actual 2015/16 / 2014/15 R	Budgeted 2015/16 R	Variance actual/ budgeted R
Executive and Council	23 568	126 820	(103 252)	29 000	(5 432)
Budget and treasury office	196 439	-	196 439	213 000	(16 561)
Corporate services	21 146	300 606	(279 460)	125 600	(104 454)
Technical Support	226 900	352 734	(125 835)	234 845	(7 945)
	468 053	780 160	(312 107)	602 445	(134 392)

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with an explanation of significant variances of more than 5% from budget, are included in Appendix "E (4)".

2016	2015
R	R

6. ACCUMULATED SURPLUS / (DEFICIT)

The balance of the Accumulated Deficit as at 30 June 2016 amounted to R15 767 767 (30 June 2015: R13 157 247) and is made up as follows:

Accumulated Surplus / (Deficit)	(15 767 767)	(13 157 247)
	(15 767 767)	(13 157 247)

Refer to Note 16 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities (including short-term portion) as at 30 June 2016 was R102 157 (30 June 2015: R579 311).

Refer to Note 14 and Appendix "A" for more detail.

ZF MGCAWU DISTRICT MUNICIPALITY
Annual Financial Statements
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REPORT OF THE CHIEF FINANCIAL OFFICER

		2016	2015
		R	R
8. EMPLOYEE BENEFIT LIABILITIES			
Retirement Benefit Liability	Note 15.1	25 351 228	23 526 053
Provision for Long-term Service	Note 15.2	2 766 534	2 530 087
		28 117 762	26 056 140

The Retirement Benefit Liability is in respect of continued Health Care Benefits for employees of the Municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

The Provision for Long-term Service are made in order to enable the Municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Note 15 for more detail.

9. CURRENT LIABILITIES

Current Liabilities amounted R13 520 556 as at 30 June 2016 (30 June 2015: R13 106 997) and is made up as follows:

Provisions	Note 9	2 134 385	1 905 339
Payables from Exchange Transactions	Note 10	5 565 677	7 879 781
Taxes and Transfers Payable	Note 11	2 959 680	-
Unspent Conditional Grants and Receipts	Note 12	2 606 670	2 824 212
VAT Payables	Note 3	97 831	-
Operating Lease Liabilities	Note 13	54 156	22 764
Current Portion of Long-term Liabilities	Note 14	102 157	474 901
		13 520 556	13 106 997

Current Liabilities are those liabilities of the Municipality due and payable in the short-term (less than 12 months).

Refer to the indicated Notes for more detail.

10. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R20 605 642 as at 30 June 2016 (30 June 2015: R23 905 945).

Refer to Note 5 and Appendix "B, C and E (4)" for more detail.

11. INTANGIBLE ASSETS

The net value of Intangible Assets was R93 906 as at 30 June 2016 (30 June 2015: R132 757).

These are assets which cannot physically be identified and verified and are in respect of computer software obtained by the Municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 6 and Appendix "B" for more detail.

ZF MGCAWU DISTRICT MUNICIPALITY**Annual Financial Statements
for the year ended 30 June 2016****REPORT OF THE CHIEF FINANCIAL OFFICER**

2016	2015
R	R

12. LONG-TERM RECEIVABLES

Long-term Receivables of R140 984 at 30 June 2016 (30 June 2015: R417 454) is made up as follows:

Employee PAYE Debtors	269 073	481 027
	269 073	481 027
Less: Short-term portion included in Current Assets	128 089	63 573
	140 984	417 454

The decrease in the amount for Long-term Receivables is due to the amounts recovered from debtors and the increase on Provision for Impairment on long outstanding debtors.

Refer to Note 8 for more detail.

13. CURRENT ASSETS

Current Assets amounted R4 978 592 as at 30 June 2016 (30 June 2015: R1 573 654) and is made up as follows:

Receivables from Exchange Transactions	Note 2	1 131 465	356 915
VAT Receivable	Note 3	-	1 043 690
Cash and Cash Equivalents	Note 4	3 715 700	104 995
Current Portion of Finance Lease Receivables	Note 7	3 338	4 482
Current Portion of Long-term Debtors	Note 8	128 089	63 573
		4 978 592	1 573 654

The increase in the amount for Current Assets is mainly due to the increase in Cash and Cash Equivalents.

Refer to the indicated Notes above for more detail.

14. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 45.

15. GOING CONCERN ASSESSMENT

Full details of management's going concern assessment are disclosed in Note 47.

16. EXPRESSION OF APPRECIATION

I am grateful to the Executive Mayor, members of the Mayoral Committee, Councillors, MPAC, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Financial Services Directorate, for without their assistance these Annual Financial Statements would not have been possible.


P. Beukes**CHIEF FINANCIAL OFFICER**

31 August 2016

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

		Actual	
	Note	2016 R	2015 R
ASSETS			
Current Assets		4 978 592	1 573 654
Receivables from Exchange Transactions	2	1 131 465	356 915
VAT Receivable	3	-	1 043 690
Cash and Cash Equivalents	4	3 715 700	104 995
Current Portion of Finance Lease Receivables	7	3 338	4 482
Current Portion of Long-term Receivables	8	128 089	63 573
Non-Current Assets		20 891 960	24 536 645
Property, Plant and Equipment	5	20 605 642	23 905 945
Intangible Assets	6	93 906	132 757
Finance Lease Receivables	7	51 428	80 489
Long-term Receivables	8	140 984	417 454
Total Assets		25 870 551	26 110 300
LIABILITIES			
Current Liabilities		13 520 556	13 106 997
Provisions	9	2 134 385	1 905 339
Payables from Exchange Transactions	10	5 565 677	7 879 781
Taxes and Transfers Payable	11	2 959 680	-
Unspent Conditional Grants and Receipts	12	2 606 670	2 824 212
VAT Payable	3	97 831	-
Operating Lease Liabilities	13	54 156	22 764
Current Portion of Long-term Liabilities	14	102 157	474 901
Non-Current Liabilities		28 117 762	26 160 550
Long-term Liabilities	14	0	104 410
Employee Benefit Liabilities	15	28 117 762	26 056 140
Total Liabilities		41 638 318	39 267 547
Total Assets and Liabilities		(15 767 767)	(13 157 247)
NET ASSETS		(15 767 767)	(13 157 247)
Accumulated Surplus / (Deficit)	16	(15 767 767)	(13 157 247)
Total Net Assets		(15 767 767)	(13 157 247)

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

		Actual	
	Note	2016 R	2015 R
REVENUE			
Revenue from Non-exchange Transactions			
Actuarial Gains on Employee Benefits	15	31 888	852 046
Government Grants and Subsidies Received	17	55 981 542	52 648 054
Revenue from Exchange Transactions			
Rental of Facilities and Equipment	18	5 905	44 594
Interest Earned - External Investments	19	531 966	305 804
Interest Earned - Outstanding Debtors	19	24 563	48 508
Other Income	20	1 084 760	547 157
Gains on Disposal of Property, Plant and Equipment	30	745 297	-
Total Revenue		58 405 920	54 446 161
EXPENDITURE			
Employee Related Costs	21	41 773 938	39 825 726
Remuneration of Councillors	22	3 289 960	3 190 198
Depreciation and Amortisation	23	628 505	993 032
Impairment Losses	24	339 367	123 306
Repairs and Maintenance	25	709 122	562 942
Finance Costs	26	34 959	120 317
Contracted Services	27	28 252	27 615
Grants and Subsidies Paid	28	5 223 987	4 138 902
General Expenses	29	8 988 349	10 068 744
Loss on Disposal of Assets	30	-	108 623
Total Expenditure		61 016 439	59 159 407
SURPLUS / (DEFICIT) FOR THE YEAR		(2 610 519)	(4 713 246)

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

Description	Revaluation Reserve	Accumulated Surplus / (Deficit) Account	Total for	Total
		Accumulated Surplus / (Deficit)	Accumulated Surplus/(Deficit) Account	
2015	R	R	R	R
Balance at 30 June 2014	-	(3 336 020)	(3 336 020)	(3 336 020)
Correction of Error	-	49 667	49 667	49 667
Restated Balance	-	(3 286 353)	(3 286 353)	(3 286 353)
Published Surplus / (Deficit) for the year		(5 063 827)	(5 063 827)	(5 063 827)
Balance at 30 June 2015	-	(8 350 180)	(8 350 180)	(8 350 180)
Correction of Error (Note 32)	-	(4 807 067)	(4 807 067)	(4 807 067)
Restated Balance at 30 June 2015	-	(13 157 247)	(13 157 247)	(13 157 247)
2016				
Surplus / (Deficit) for the year		(2 610 519)	(2 610 519)	(2 610 519)
Balance at 30 June 2016	-	(15 767 767)	(15 767 767)	(15 767 767)

ZF MGCAWU DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	Note	Actual 2016 R	2015 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Actuarial Gains on Employee Benefits	15	31 888	852 046
Grants		55 764 000	54 629 000
Rental Of Facilities And Equipment	18	5 905	44 594
Interest Received	19	556 529	354 312
Other Income		1 100 805	(579 217)
Payments			
Employee Related Costs		(39 545 933)	(39 295 541)
Remuneration of Councillors	22	(3 289 960)	(3 190 198)
Interest Paid	26	(34 959)	(120 317)
Suppliers Paid		(3 051 478)	1 713 244
Other Payments		(11 060 770)	(15 936 600)
NET CASH FLOWS FROM OPERATING ACTIVITIES		476 025	(1 528 678)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	5	(468 053)	(720 288)
Purchase of Intangible Assets	6	-	(59 871)
Proceeds on Disposal of Property, Plant and Equipment	30	3 924 000	3 680
Decrease / (Increase) in Long-Term Receivables	8	126 826	-
Decrease / (Increase) in Finance Lease Receivables	7	29 061	(2 752)
NET CASH FLOWS FROM INVESTING ACTIVITIES		3 611 834	(779 231)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings	14	(477 154)	(894 449)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(477 154)	(894 449)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	4	3 610 705	(3 202 358)
Cash and Cash Equivalents at Beginning of Period		104 995	3 307 352
Cash and Cash Equivalents at End of Period		3 715 700	104 995

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

30 June 2016
 FINANCIAL POSITION

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R
Current Assets										
Receivables from Exchange Transactions	-	-	-	-	-	1 131 465	-	1 131 465	0.00	0.00
Cash and Cash Equivalents	4 180 000	-	4 180 000	-	4 180 000	3 715 700	-	(464 300)	88.89	88.89
Current Portion of Finance Lease Receivables	9 276	-	9 276	-	9 276	3 338	-	(5 938)	35.98	35.98
Current Portion of Long-term Receivables	-	-	-	-	-	128 089	-	128 089	0.00	0.00
Non-Current Assets										
Property, Plant and Equipment	22 012 254	-	22 012 254	-	22 012 254	20 605 642	-	(1 406 612)	93.61	93.61
Intangible Assets	150 000	-	150 000	-	150 000	93 906	-	(56 094)	62.60	62.60
Finance Lease Receivables	65 000	-	65 000	-	65 000	51 428	-	(13 572)	79.12	79.12
Long-term Receivables	-	-	-	-	-	140 984	-	140 984	0.00	0.00
Total Assets	26 416 530	-	26 416 530	-	26 416 530	25 870 551	-	(545 979)	97.93	97.93
Current Liabilities										
Provisions	1 750 000	0	1 750 000	-	1 750 000	2 134 385	-	384 385	121.96	121.96
Payables from Exchange Transactions	2 526 078	-	2 526 078	-	2 526 078	5 565 677	-	3 039 599	220.33	220.33
Taxes and Transfers Payable	-	-	-	-	-	2 959 680	-	2 959 680	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	2 606 670	-	2 606 670	0.00	0.00
VAT Payable	-	-	-	-	-	97 831	-	97 831	0.00	0.00
Operating Lease Liabilities	-	-	-	-	-	54 156	-	54 156	0.00	0.00
Current Portion of Long-term Liabilities	180 000	-	180 000	-	180 000	102 157	-	(77 843)	56.75	56.75
Non-Current Liabilities										
Long-term Liabilities	400 000	-	400 000	-	400 000	0	-	(400 000)	0.00	0.00
Employee Benefit Liabilities	20 366 514	-	20 366 514	-	20 366 514	28 117 762	-	7 751 248	138.06	138.06
Total Liabilities	25 222 592	0	25 222 592	-	25 222 592	41 638 318	-	16 415 727	165.08	165.08
Total Assets and Liabilities	1 193 938	(0)	1 193 938	-	1 193 938	(15 767 767)	-	(16 961 705)	0.00	0.00
Net Assets (Equity)										
Accumulated Surplus / (Deficit)	1 193 938	-	1 193 938	-	1 193 938	(15 767 767)	-	(16 961 705)	0.00	0.00
Total Net Assets	1 193 938	-	1 193 938	-	1 193 938	(15 767 767)	-	(16 961 705)	0.00	0.00

ZF MGCAWU DISTRICT MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:

The variance is mainly due to the debtor that was raised for the Insurance claim on the council vehicle that was write off during an accident in June 2016. An incident that was not foreseen during the budget process.

Cash and Cash Equivalents:

The budget amount anticipated was over budgeted to improve the financial position of the Council.

Current Portion of Finance Lease Receivables:

One debtor has settled his outstanding debt in full during the year and was not foreseen during the budget process.

Current Portion of Long-term Receivables:

This debtor was created after an SARS PAYE audit was conducted which was not anticipated during the budget process.

Intangible Assets:

Budgeted for under Property, Plant and Equipment.

Finance Lease Receivables:

One debtor has settled his outstanding debt in full during the year and was not foreseen during the budget process.

Long-term Receivables:

This debtor was created after an SARS PAYE audit was conducted which was not anticipated during the budget process.

Payables from Exchange Transactions:

The variance is due to third parties that were paid after year-end and cash flow problems experienced during the financial year.

Taxes and Transfers Payable:

Budgeted for under Payables from Exchange Transactions. Variance is due to the re-classification of projects administered on behalf of Mier municipality.

Unspent Conditional Grants and Receipts:

Budgeted for under Government Grants and Subsidies Received in Revenue from Non-exchange Transactions.

VAT Payable:

VAT Receivable/VAT Payables are budgeted for under Other Income. The VAT Payable was due to gains on disposal of assets.

Operating Lease Liabilities:

Not budgeted for due to straight lining of Operating Leases.

Current Portion of Long-term Liabilities:

Budgeted for under Long-term Liabilities.

Long-term Liabilities:

Over budgeted for Long-term Liabilities based on the repayments during the year and provision was made for hire purchase of vehicles but the vehicles was not acquire. Long-term Liabilities includes the budgeted amount for Current Portion of Long-term Liabilities.

Employee Benefit Liabilities:

Under budgeted for Employee Benefit Liabilities due to inclusion of in-service employees that influence the provision valuation.

Accumulated Surplus / (Deficit):

Combination of reasons stated above

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

30 June 2016
 FINANCIAL PERFORMANCE

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R
Revenue from Non-exchange Transactions										
Actuarial Gains on Employee Benefits	-	-	-	-	-	31 888	-	31 888	0.00	0.00
Government Grants and Subsidies Received	56 464 000	1 000 000	57 464 000	-	57 464 000	55 981 542	-	(1 482 458)	97.42	99.15
Revenue from Exchange Transactions										
Rental of Facilities and Equipment	35 000	(15 000)	20 000	-	20 000	5 905	-	(14 095)	29.52	16.87
Interest Earned - External Investments	350 000	25 000	375 000	-	375 000	531 966	-	156 966	141.86	151.99
Interest Earned - Outstanding Debtors	-	5 000	5 000	-	5 000	24 563	-	19 563	491.26	0.00
Other Income	5 665 000	(212 500)	5 452 500	-	5 452 500	1 084 760	-	(4 367 740)	19.89	19.15
Gains on Disposal of Property, Plant and Equipment	20 000	1 630 000	1 650 000	-	1 650 000	745 297	-	(904 703)	45.17	3 726.49
Total Revenue	62 534 000	2 432 500	64 966 500	-	64 966 500	58 405 920	-	(6 560 580)	89.90	93.40
Expenditure										
Employee Related Costs	40 061 105	614 721	40 675 826	-	40 675 826	41 773 938	-	1 098 112	102.70	104.28
Remuneration of Councillors	3 720 232	(28 022)	3 692 209	-	3 692 209	3 289 960	-	(402 249)	89.11	88.43
Depreciation and Amortisation	653 218	278 818	932 036	(70 000)	862 036	628 505	-	(233 531)	72.91	96.22
Impairment Losses	-	125 000	125 000	250 000	375 000	339 367	-	(35 633)	90.50	0.00
Repairs and Maintenance	933 000	(59 000)	874 000	30 000	904 000	709 122	-	(194 878)	78.44	76.00
Finance Costs	136 250	74 000	210 250	-	210 250	34 959	-	(175 291)	16.63	25.66
Contracted Services	55 000	10 200	65 200	10 000	75 200	28 252	-	(46 948)	37.57	51.37
Grants and Subsidies Paid	5 680 160	743 813	6 423 973	(0)	6 423 973	5 223 987	-	(1 199 986)	81.32	91.97
General Expenses	10 013 096	862 274	10 875 370	(220 000)	10 655 370	8 988 349	-	(1 667 021)	84.36	89.77
Total Expenditure	61 252 061	2 621 803	63 873 864	(0)	63 873 864	61 016 439	-	(2 857 425)	95.53	99.62
Surplus/(Deficit)	1 281 939	(189 303)	1 092 636	0	1 092 636	(2 610 519)	-	(3 703 155)	-	-
Transfers Recognised - Capital	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after Capital Transfers and	1 281 939	(189 303)	1 092 636	0	1 092 636	(2 610 519)	-	(3 703 155)	-	-
Surplus / (Deficit) from Discontinued Operations	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit for the Year	1 281 939	(189 303)	1 092 636	0	1 092 636	(2 610 519)	-	(3 703 155)	-	-

ZF MGCAWU DISTRICT MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

Financial Performance: Explanation of Variances between Approved Budget and Final Budget

Changes between the approved and final budget are a consequence of reallocations within the budget. All these reallocations were approved by the Director, Chief Financial Officer and Municipal Manager.

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Actuarial Gains on Employee Benefits

Budgeted for under Employee Related Cost.

Rental of Facilities and Equipment:

Over budgeted for. Some rental contracts have been ended.

Interest Earned - External Investments:

The interest rate hikes was favourable for investors and invested at shortest possible time after Equitable funds became available. Therefore the higher returns on the call deposits made during the year.

Interest Earned - Outstanding Debtors:

The higher interest was in respect of VAT refund paid by SARS and was not budgeted for.

Other Income:

Budgeted Other Income includes VAT received that was credited against VAT Receivables.

Other income were too optimistically budgeted for and include the Income on Support and Shared services to Local Municipalities, which did not realised.

Gains on Disposal of Property, Plant and Equipment:

Gains on disposal of PPE was over budget.

Remuneration of Councillors:

The variance are due to the change in the remuneration as gazetted and the change in the portfolio of councillors.

Depreciation and Amortisation:

Over budgeted for Depreciation and Amortisation.

Repairs and Maintenance:

Less was spent on repairs and maintenance due to the replacement of redundant assets with new assets acquired.

Finance Costs:

Over budgeted for due to the hire purchase of vehicle that did not materialised

Contracted Services:

Savings realised by not appointing unnecessary contractors due to cost containment measures.

Grants and Subsidies Paid:

Spending on the RRAMS grant did not materialised during the year due to challenges experienced with supply chain processes.

General Expenses :

Savings on expenditure realised due to cost containment measures.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

30 June 2016
CAPITAL EXPENDITURE PER FUNCTION

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R
Executive and Council	65 000	114 000	179 000	(150 000)	29 000	23 568	-	(5 432)	81.27	36.26
Budget and treasury office	443 246	(350 246)	93 000	120 000	213 000	196 439	-	(16 561)	92.22	44.32
Corporate services	160 000	(34 400)	125 600	-	125 600	21 146	-	(104 454)	16.84	13.22
Technical Services	201 438	3 407	204 845	30 000	234 845	226 900	-	(7 945)	96.62	112.64
Total Capital Expenditure	869 684	(267 239)	602 445	-	602 445	468 053	-	(134 392)	77.69	53.82

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Final Budget

Changes between the approved and final budget are a consequence of reallocations within the budget. All these reallocations were approved by the Director, Chief Financial Officer and Municipal Manager.

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

Executive and Council:

Cost containment measures and savings realised by buying only necessary assets

Corporate services

Cost containment measures and savings realised by buying only necessary assets

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

30 June 2016
CASH FLOW

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R
Cash Flows from/(used in) Operating Activities										
Actuarial Gains on Employee Benefits	-	-	-	-	-	31 888	-	31 888	0.00	0.00
Grants	56 464 000	1 000 000	57 464 000	-	57 464 000	55 764 000	-	(1 700 000)	97.04	98.76
Rental Of Facilities And Equipment	-	-	-	-	-	5 905	-	5 905	0.00	0.00
Interest Received	350 000	25 000	375 000	-	375 000	556 529	-	181 529	148.41	159.01
Other Income	5 700 000	(728 250)	4 971 750	-	4 971 750	1 100 805	-	(3 870 945)	22.14	19.31
Employee Related Costs	(60 465 000)	1 062 309	(59 402 691)	-	(59 402 691)	(39 545 933)	-	19 856 758	66.57	65.40
Remuneration of Councillors	-	-	-	-	-	(3 289 960)	-	(3 289 960)	0.00	0.00
Interest Paid	(134 000)	-	(134 000)	-	(134 000)	(34 959)	-	99 041	26.09	26.09
Suppliers Paid	-	-	-	-	-	(3 051 478)	-	(3 051 478)	0.00	0.00
Other Payments	-	-	-	-	-	(11 060 770)	-	(11 060 770)	0.00	0.00
Cash Flows from/(used in) Investing Activities										
Purchase of Property, Plant and Equipment	(870 000)	267 241	(602 759)	-	(602 759)	(468 053)	-	134 706	77.65	53.80
Proceeds on Disposal of Property, Plant and Equipment	20 000	1 548 500	1 568 500	-	1 568 500	3 924 000	-	2 355 500	250.18	19 620.00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	126 826	-	126 826	0.00	0.00
Decrease / (Increase) in Finance Lease Receivables	-	-	-	-	-	29 061	-	29 061	0.00	0.00
Cash Flows from/(used in) Financing Activities										
Loans repaid	(400 000)	-	(400 000)	-	(400 000)	(477 154)	-	(77 154)	119.29	119.29
Cash and Cash Equivalents at End of the Year	665 000	3 174 800	3 839 800	-	3 839 800	3 610 705	-	(229 095)	94.03	542.96

ZF MGCAWU DISTRICT MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Actuarial Gains on Employee Benefits

Budgeted for under Employee Related Cost.

Rental Of Facilities And Equipment

Budgeted for under Other Income.

Interest Received

The interest rate hikes was favourable for investors and immediate investment of Equitable Share funds, therefore the higher returns on the call deposits made during the year.

Other Income

Budgeted Other Income includes VAT received that was credited against VAT Receivables.

Other income were too optimistically budgeted for and include the Income on Support and Shared services to Local Municipalities, which did not realised.

Employee Related Costs

Under budgeted for. Remuneration of Councillors, Suppliers paid and Other payments budgeted for under Employee Related Cost.

Remuneration of Councillors

Budgeted for under Employee Related Cost

Interest Paid

Interest over budget due to the hire purchase of vehicle that did not materialised

Suppliers Paid

Budgeted for under Employee Related Cost

Other Payments

Budgeted for under Employee Related Cost

Purchase of Property, Plant and Equipment:

The overall variance is due to cost containment measures and cash flow management

Proceeds on Disposal of Property, Plant and Equipment:

The variance is mainly because of the buildings that was disposed during 2014/15 but due to the transfer of ownership that was only finalised during 2015/16 the funds was transferred by the attorneys during the year under review.

Decrease / (Increase) in Finance Lease Receivables

One debtor has settled his outstanding debt in full during the year and was not foreseen during the budget process.

Decrease / (Increase) in Long-term Receivables:

This debtor was created after an SARS PAYE audit was conducted which was not anticipated during the budget process.

A Provision for Bad Debt was made during the year under review and was not budgeted for.

Loans repaid:

The budget amount only included the interest paid and not the capital portion therefor the variance.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

30 June 2015
 FINANCIAL POSITION

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R
Current Assets										
Receivables from Exchange Transactions	-	-	-	-	-	356 915	-	356 915	0.00	0.00
VAT Receivable	-	-	-	-	-	1 043 690	-	1 043 690	0.00	0.00
Cash and Cash Equivalents	7 000 000	-	7 000 000	-	7 000 000	104 995	-	(6 895 005)	1.50	1.50
Current Portion of Finance Lease Receivables	8 000	-	8 000	-	8 000	4 482	-	(3 518)	56.02	56.02
Current Portion of Long-term Receivables	-	-	-	-	-	63 573	-	63 573	0.00	0.00
Non-Current Assets										
Property, Plant and Equipment	32 300 000	(3 390 000)	28 910 000	-	28 910 000	23 905 945	-	(5 004 055)	82.69	74.01
Intangible Assets	-	-	-	-	-	132 757	-	132 757	0.00	0.00
Finance Lease Receivables	70 000	-	70 000	-	70 000	80 489	-	10 489	114.98	114.98
Long-term Receivables	-	-	-	-	-	417 454	-	417 454	0.00	0.00
Total Assets	39 378 000	(3 390 000)	35 988 000	-	35 988 000	26 110 300	-	(9 877 700)	72.55	66.31
Current Liabilities										
Provisions	1 890 000	-	1 890 000	-	1 890 000	1 905 339	-	15 339	100.81	100.81
Payables from Exchange Transactions	4 500 000	-	4 500 000	-	4 500 000	7 879 781	-	3 379 781	175.11	175.11
Unspent Conditional Grants and Receipts	-	-	-	-	-	2 824 212	-	2 824 212	0.00	0.00
Operating Lease Liabilities/Payables	-	-	-	-	-	22 764	-	22 764	0.00	0.00
Current Portion of Long-term Liabilities	250 000	-	250 000	-	250 000	474 901	-	224 901	189.96	189.96
Non-Current Liabilities										
Long-term Liabilities	890 000	(90 000)	800 000	-	800 000	104 410	-	(695 590)	13.05	11.73
Employee Benefit Liabilities	21 725 000	3 000 000	24 725 000	-	24 725 000	26 056 140	-	1 331 140	105.38	119.94
Total Liabilities	29 255 000	2 910 000	32 165 000	-	32 165 000	39 267 547	-	7 102 547	122.08	134.23
Total Assets and Liabilities	10 123 000	(6 300 000)	3 823 000	-	3 823 000	(13 157 247)	-	(16 980 247)	-	-
Net Assets (Equity)										
Accumulated Surplus / (Deficit)	10 123 000	(6 300 000)	3 823 000	-	3 823 000	(13 157 247)	-	(16 980 247)	-	-
Total Net Assets	10 123 000	(6 300 000)	3 823 000	-	3 823 000	(13 157 247)	-	(16 980 247)	-	-

ZF MGCAWU DISTRICT MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:

Budgeted for under Cash and Cash Equivalents. The district municipality does not have household debtors.

VAT Receivable:

Budgeted for under Other Income as VAT Income.

Cash and Cash Equivalents:

The Budgeted amount was overstated in the budget as it was incorrectly based on the actuals figures of 2013/14 financial year which included the grants administered on behalf of Mier Municipality.

Current Portion of Finance Lease Receivables:

Not all payments were received during the year as budgeted for.

Current Portion of Long-term Receivables:

This debtor was created after an SARS PAYE audit was conducted which was not anticipated during the budget process.

Property, Plant and Equipment:

The budget amount was based on the actual Property, Plant and Equipment for 2013/14 financial year and the fleet was not replaced as budgeted for. The budget for Intangible Asset were included the Property, Plant and Equipment

Intangible Assets:

Budgeted for under Property, Plant and Equipment.

Finance Lease Receivables:

Not all payments were received during the year as budgeted for.

Long-term Receivables:

This debtor was created after an SARS PAYE audit was conducted which was not anticipated during the budget process.

Payables from Exchange Transactions:

The variance is due to third parties that were paid after year-end and cash flow problems experienced during the financial year.

Unspent Conditional Grants and Receipts:

Budgeted for under Government Grants and Subsidies Received in Revenue from Non-exchange Transactions.

Operating Lease Liabilities:

Not budgeted for due to straight lining of Operating Leases.

Current Portion of Long-term Liabilities:

Budgeted for under Long-term Liabilities.

Long-term Liabilities:

Over budgeted for Long-term Liabilities based on the repayments during the year. Long-term Liabilities includes the budgeted amount for Current Portion of Long-term Liabilities.

Employee Benefit Liabilities:

Over budgeted for Employee Benefit Liabilities due to external factors that influence the provision valuation that are outside ZF Mgcawu District Municipality's control.

Accumulated Surplus / (Deficit):

Combination of reasons stated above

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

30 June 2015
 FINANCIAL PERFORMANCE

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R
Revenue from Non-exchange Transactions										
Actuarial Gains on Employee Benefits	-	-	-	-	-	852 046	-	852 046	0.00	0.00
Government Grants and Subsidies Received	53 456 000	(677 000)	52 779 000	-	52 779 000	52 648 054	-	(130 946)	99.75	98.49
Revenue from Exchange Transactions										
Rental of Facilities and Equipment	40 000	5 000	45 000	-	45 000	44 594	-	(406)	99.10	111.48
Interest Earned - External Investments	350 000	200 000	550 000	-	550 000	305 804	-	(244 196)	55.60	87.37
Interest Earned - Outstanding Debtors	-	-	-	-	-	48 508	-	48 508	0.00	0.00
Other Income	2 639 000	(860 500)	1 778 500	-	1 778 500	547 157	-	(1 231 343)	30.77	20.73
Gains on Disposal of Property, Plant and Equipment	3 200 000	-	3 200 000	-	3 200 000	-	-	(3 200 000)	0.00	0.00
Total Revenue	59 685 000	(1 332 500)	58 352 500	-	58 352 500	54 446 161	-	(3 906 339)	93.31	91.22
Expenditure										
Employee Related Costs	39 112 472	(3 013 470)	36 099 002	6 020	36 105 022	39 825 726	3 079 864	3 720 704	110.31	101.82
Remuneration of Councillors	3 726 840	(635 804)	3 091 036	0	3 091 036	3 190 198	-	99 162	103.21	85.60
Depreciation and Amortisation	762 550	14 484	777 034	80 000	857 034	993 032	-	135 998	115.87	130.23
Impairment Losses	-	-	-	-	-	123 306	123 306	123 306	0.00	0.00
Repairs and Maintenance	649 750	130 600	780 350	(266 267)	514 083	562 942	-	48 859	109.50	86.64
Finance Costs	126 412	-	126 412	-	126 412	120 317	-	(6 095)	95.18	95.18
Contracted Services	30 000	-	30 000	-	30 000	27 615	-	(2 385)	92.05	92.05
Grants and Subsidies Paid	4 859 000	186 500	5 045 500	(8 110)	5 037 390	4 138 902	-	(898 488)	82.16	85.18
General Expenses	8 143 795	2 241 038	10 384 833	188 357	10 573 190	10 068 744	-	(504 446)	95.23	123.64
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	108 623	-	108 623	0.00	0.00
Total Expenditure	57 410 819	(1 076 652)	56 334 167	-	56 334 167	59 159 407	3 203 170	2 825 240	105.02	103.05
Surplus/(Deficit)	2 274 181	(255 848)	2 018 333	-	2 018 333	(4 713 246)	3 203 170	(6 731 579)	-	-
Transfers Recognised - Capital	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after Capital Transfers and	2 274 181	(255 848)	2 018 333	-	2 018 333	(4 713 246)	3 203 170	(6 731 579)	-	-
Surplus / (Deficit) from Discontinued Operations	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit for the Year)	2 274 181	(255 848)	2 018 333	-	2 018 333	(4 713 246)	3 203 170	(6 731 579)	-	-

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

Financial Performance: Explanation of Variances between Approved Budget and Final Budget

Changes between the approved and final budget are a consequence of reallocations within the budget. All these reallocations were approved by the Director, Chief Financial Officer and Municipal Manager.

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Actuarial Gains on Employee Benefits

Budgeted for under Employee Related Cost.

Interest Earned - External Investments:

Interest earned potential were overstated in the budget planning. Cash flow problems occurred during the financial year and limit cash was available for investments.

Interest Earned - Outstanding Debtors:

Not budgeted for as the ZF Mgcawu District Municipality has no consumer debtors and expect to receive Other Debtors within 30 days.

Other Income:

Budgeted Other Income includes VAT received that was credited against VAT Receivables.

Other income were too optimistically budgeted for and include the Income on Support and Shared services to Local Municipalities.

Gains on Disposal of Property, Plant and Equipment:

During 2014/15 financial year ZF Mgcawu District Municipality sold 2 Buildings and R3 200 000 was budgeted for the disposal. As at 30 June 2015 the 2 Buildings were not registered yet and the money was not received yet.

Impairment Losses:

Not budgeted for Impairment Losses. VAT Receivables were written-off to the SARS statement amount as at 30 June 2015. ZFM also provided for bad debt on outstanding debtors.

Contracted Services:

Was budgeted for under General Expenditure

Grants and Subsidies Paid:

Funding for certain projects in this category did not materialised and this let the spending on grants and subsidies paid to be much lesser than budgeted for.

Loss on Disposal of Property, Plant and Equipment:

During 2014/15 financial year ZF Mgcawu District Municipality sold 2 Buildings and R3 200 000 was budgeted for the disposal. As at 30 June 2015 the 2 Buildings were not registered yet and the money was not received yet.

ZF MGCAWU DISTRICT MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

30 June 2015

CAPITAL EXPENDITURE PER FUNCTION

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R
Executive and Council	75 000	30 000	105 000	25 000	130 000	126 820	-	(3 180)	97.55	169.09
Budget and treasury office	890 000	(390 000)	500 000	(85 000)	415 000	-	-	(415 000)	0.00	0.00
Corporate services	1 030 000	(780 000)	250 000	54 500	304 500	300 606	-	(3 894)	98.72	29.19
Technical Services	250 000	98 500	348 500	5 500	354 000	352 734	-	(1 266)	99.64	141.09
Total Capital Expenditure	2 245 000	(1 041 500)	1 203 500	-	1 203 500	780 160	-	(423 340)	64.82	34.75

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Final Budget

Changes between the approved and final budget are a consequence of reallocations within the budget. All these reallocations were approved by the Director, Chief Financial Officer and Municipal Manager.

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

Budget and treasury office

The fleet was not replaced as budgeted for due to unsuccessful tender processes.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

30 June 2015
CASH FLOW

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R
Cash Flows from/(used in) Operating Activities										
Actuarial Gains on Employee Benefits	-	-	-	-	-	852 046	-	852 046	0.00	0.00
Grants	52 709 000	-	52 709 000	-	52 709 000	54 629 000	-	1 920 000	103.64	103.64
Rental of Facilities and Equipment	-	-	-	-	-	44 594	-	44 594	0.00	0.00
Interest Received	350 000	-	350 000	-	350 000	354 312	-	4 312	101.23	101.23
Other Income	3 083 400	-	3 083 400	-	3 083 400	(579 217)	-	(3 662 617)	0.00	0.00
Employee Related Costs	(56 539 357)	-	(56 539 357)	-	(56 539 357)	(39 295 541)	-	17 243 815	69.50	69.50
Remuneration of Councillors	-	-	-	-	-	(3 190 198)	-	(3 190 198)	0.00	0.00
Interest Paid	(123 912)	-	(123 912)	-	(123 912)	(120 318)	-	3 594	97.10	97.10
Suppliers Paid	-	-	-	-	-	1 713 244	-	1 713 244	0.00	0.00
Other Payments	-	-	-	-	-	(15 936 600)	-	(15 936 600)	0.00	0.00
Cash Flows from/(used in) Investing Activities										
Purchase of Property, Plant and Equipment	(2 245 000)	-	(2 245 000)	-	(2 245 000)	(720 288)	-	1 524 712	32.08	32.08
Purchase of Intangible Assets	-	-	-	-	-	(59 871)	-	(59 871)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	3 200 000	-	3 200 000	-	3 200 000	3 680	-	(3 196 320)	0.11	0.11
Decrease / (Increase) in Finance Lease Receivables	-	-	-	-	-	(2 752)	-	(2 752)	0.00	0.00
Cash Flows from/(used in) Financing Activities										
Loans repaid	(890 000)	-	(890 000)	-	(890 000)	(894 449)	-	(4 449)	100.50	100.50
Cash and Cash Equivalents at End of the Year	(455 869)	-	(455 869)	-	(455 869)	(3 202 358)	-	(2 746 489)	-	-

ZF MGCAWU DISTRICT MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Actuarial Gains on Employee Benefits

Budgeted for under Employee Related Cost.

Rental of Facilities and Equipment

Budgeted for under Other Income.

Interest Received

Interest earned potential were overstated in the budget planning. Cash flow problems occurred during the financial year and limit cash was available for investments.

Other Income

Budgeted Other Income includes VAT received that was credited against VAT Receivables.

Other income were too optimistically budgeted for and include the Income on Support and Shared services to Local Municipalities.

Employee Related Costs

Under budgeted for. 'Remuneration of councillors, Suppliers paid and Other payments budgeted for under Employee Related Cost.

Remuneration of Councillors

Budgeted for under Employee Related Cost

Suppliers Paid

Budgeted for under Employee Related Cost

Other Payments

Budgeted for under Employee Related Cost

Purchase of Property, Plant and Equipment:

During 2014/15 financial year ZF Mgcawu District Municipality sold 2 Buildings and R3 200 000 was budgeted for the disposal. As at 30 June 2015 the 2 Buildings were not registered yet and the money was not received yet.

Purchase of Intangible Assets:

Budgeted for under Purchases of Property, Plant and Equipment.

Proceeds on Disposal of Property, Plant and Equipment:

During 2014/15 financial year ZF Mgcawu District Municipality sold 2 Buildings and R3 200 000 was budgeted for the disposal. As at 30 June 2015 the 2 Buildings were not registered yet and the money was not received yet.

Decrease / (Increase) in Finance Lease Receivables

Budgeted for under PPE

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2015/16		2014/15
	R		R
Net surplus/(deficit) per the statement of financial performance	(2 610 519)		(4 713 246)
Revenue from Non-exchange Transactions			
Government Grants and Subsidies Received	1 482 458		130 946
Public Contributions	-		-
Revenue from Exchange Transactions			
Rental of Facilities and Equipment	14 095		406
Interest Earned - External Investments	(156 966)		244 196
Interest Earned - Outstanding Debtors	(19 563)		(48 508)
Other Revenue	4 367 740		1 231 343
Gains on Disposal of Property, Plant and Equipment	904 703		3 200 000
Expenditure			
Employee Related Costs	1 098 112		3 720 704
Remuneration of Councillors	(402 249)		99 162
Depreciation and Amortisation	(233 531)		135 998
Impairment Losses	(35 633)		123 306
Repairs and Maintenance	(194 878)		48 859
Finance Costs	(175 291)		(6 095)
Contracted Services	(46 948)		(2 385)
Grants and Subsidies Paid	(1 199 986)		(898 488)
General Expenses	(1 667 021)		(504 446)
Loss on Disposal of Property, Plant and Equipment	-		108 623
Net surplus/deficit per approved budget	1 092 636		2 018 333

ZF MGCAWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

1.1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

#REF!

The municipality changes an accounting policy only if the following instances:

(a) is required by a Standard of GRAP; or

(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1.2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 *Revenue Recognition*

Accounting Policy 8.2 on Revenue from Exchange Transactions and Accounting Policy 8.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions*: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 *Financial assets and liabilities*

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on Financial Assets Classification and Accounting Policy 6.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

ZF MGCWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments - Presentation* and GRAP 104: *Financial Instruments - Recognition and Measurement*.

1.2.3 *Impairment of Financial Assets*

Accounting Policy 6.4 on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired.

In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments - Recognition and Measurement*, and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

• Impairment of trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.2.4 *Useful lives of Property, Plant and Equipment and Intangible assets*

As described in Accounting Policies 3.3 and 4.2 the municipality depreciates and amortises its Property, Plant and Equipment and Intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1.2.5 *Impairment: Write down of Property, Plant and Equipment and Inventories*

Accounting Policy 3.10 on *PPE - Impairment of assets* and Accounting Policy 4.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 7.2 on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Value (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 17: *Property, Plant and Equipment*, GRAP 12: *Inventory* and GRAP 102: *Intangible assets*. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the CRC for inventories involves significant judgment by management.

1.2.6 *Defined Benefit Plan Liabilities*

As described in Accounting Policy 12.3, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards.

The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 15 to the Annual Financial Statements.

1.2.7 *Provisions and contingent liabilities*

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes, 9 and 41 respectively. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1.4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

ZF MGCAWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1.5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been approved but are not yet effective and have not been early adopted by the municipality:

GRAP 20	Related Party Disclosures
GRAP 32	Service Concessions Arrangements: Grantor
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents

Above Standards of GRAP were approved, but for which the Minister of Finance has not yet determined an effective date, and that entities may consider in formulating an accounting policy (paragraph .30 of Directive 5), before applying the hierarchy in the Standards of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:
GRAP 20 - Related Party Transactions

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. ACCUMULATED SURPLUS

The accumulated surplus of the municipality is affected by only the net profit or loss during the financial year and is maintained in terms of the relevant accounting policies.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

ZF MGCWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, including for Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3.3 Depreciation

Land has an unlimited useful life and therefore is not depreciated. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years		Years
<i>Infrastructure</i>		<i>Other</i>	
Roads and Paving	45 - 50	Specialist Vehicles	5 - 20
Sewerage	15 - 100	Other Vehicles	5 - 10
		Office Equipment	3 - 7
<i>Buildings</i>	25 - 100	Furniture and Fittings	5 - 10
		Watercraft	15
<i>Community</i>		Bins and Containers	5
Recreational Facilities	15 - 60	Specialised Plant and Equipment	10 - 15
Security	5	Other items of Plant and Equipment	2 - 5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

ZF MGCAWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

3.6 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives. The Municipality assesses at each reporting date if there is an indication of impairment.

Subsequent to measurement, heritage assets are carried at cost less impairment losses.

3.7 Land

Land has an unlimited useful life and therefore is not depreciated.

3.8 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3.9 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

3.10 Impairment of assets

3.10.1 Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

ZF MGCWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

3.10.2 *Impairment of Non-Cash generating assets*

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

3.10.3 *Transitional provisions*

The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2012 (and applied retrospectively where practicable), and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3 and ASB Directive 5.

3.11 *Assets Held for Sale*

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

4. *INTANGIBLE ASSETS*

4.1 *Initial Recognition*

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available;
- the expenditure attributable to the intangible asset during its development can be reliably measured.

ZF MGCAWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual value and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

4.3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Transitional provisions

The fair values of intangible assets recognised in terms of GRAP 102 have been disclosed for the financial year ended 30 June 2012 (and retrospectively where practicable) in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 4.

5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

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Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property)
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this includes a building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties).

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future use as investment property;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to external parties;
- Property held for strategic purposes or service delivery.

5.2 Subsequent Measurement - Cost Model

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5.3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

6. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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6.1 Financial Assets - Classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- Financial Asset at fair value
- Financial Asset at fair amortised cost
- Financial Asset at cost

Financial asset at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Financial assets measured at fair value are financial assets that meet either of the following conditions:

- (a) *derivatives;*
- (b) *combined instruments that are designated at fair value*
- (c) *instruments held for trading.*
- (d) *non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or*
- (e) *financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.*

Financial assets measured at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes there to:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial asset at amortised cost
Bank Balances	Financial asset at amortised cost
Cash Floats and Advances	Financial Assets at Fair Value
Finance Lease Receivable	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost
Long Term Receivables	Financial asset at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost for bank balances and Call Deposits and Cash Floats and Advances as Financial Asset at Fair Value.

6.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Financial liabilities measured at fair value or
- (ii) Financial liabilities measured at amortised cost
- (iii) Financial liabilities measured at cost

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short-term Loans	Financial liability at amortised cost
Current portion of Long-Term Liabilities	Financial liability at amortised cost

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Financial liabilities that are measured at fair value financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives)

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

6.3 Initial and Subsequent Measurement

6.3.1 Financial Assets:

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis. .

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial asset at amortised cost.

Financial Assets measured at fair value are initially measured at fair value excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

6.3.2 Financial Liabilities:

Financial liabilities measured at fair value

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities measured at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

6.4 Impairment of Financial Assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

Accounts receivable encompasses long term debtors, consumer debtors and other debtors.

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Initially Accounts Receivable are valued at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Impairment of Financial Assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

6.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

6.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

7. INVENTORIES

7.1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

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Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

7.2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale of inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

7.3 Transitional Provisions

The net realisable value of inventory recognised in terms of GRAP 12 have been disclosed for the financial year ended 30 June 2016 in accordance with the requirements of GRAP 12, GRAP 3 and ASB Directive 5.

8. REVENUE RECOGNITION

8.1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

8.2 Revenue from Exchange Transactions

8.2.1 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

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Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

8.2.2 *Sale of Goods (including Houses)*

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

8.2.3 *Rentals*

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

8.3 *Revenue from Non-exchange Transactions*

8.3.1 *Public contributions*

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are available for use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

8.3.2 *Other Donations and Contributions*

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

8.3.3 *Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure*

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

8.3.4 *Government Grants and Receipts*

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional Grants and receipts

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

11. PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

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Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

12. EMPLOYEE BENEFITS

12.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

12.2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

12.2.1 Defined Contribution Plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

12.3 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

12.3.1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

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Actuarial gains or losses are accounted for using the “corridor method”. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

12.3.2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees (excluding Contract Workers). According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20 and 25 years of continued service. The municipality’s liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

12.3.3 Defined benefit pension plans

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the “corridor method”. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

13. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

13.1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

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Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

13.2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

13.3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

14. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2010 in accordance with the requirements of GRAP 5 and ASB Directive 4.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

15. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

ZF MGCWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

17. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy.

In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 31 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in notes 33 to the Annual Financial Statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Refer to Note 32 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

20. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

21. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

22. COMPARATIVE INFORMATION

22.1 Current year comparatives:

Budgeted amounts have, in accordance with GRAP 1, been provided in an annexure to these financial statements and forms part of the audited Annual Financial Statements.

ZF MGCWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

22.2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the Annual Financial Statements.

24. COMMITMENTS

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

25. TREATMENT OF SUPPORT FUNDS RECEIVED

Funding received from Local Municipalities for support services are not recognised as revenue but are allocated to support accounts where the actual cost of support services (admin fees, travel costs and subsistence allowances) are deducted from. By using support accounts for each Local Municipality ZFM has more control over its support services and cannot overspent on support rendered.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. GENERAL INFORMATION

ZF Mgcawu District Municipality (The Municipality, formerly known as Siyanda District Municipality) is a local government institution in Upington, Northern Cape and has 6 local municipalities under its jurisdiction as at 30 June 2016. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction and overview of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by The Constitution.

2. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2016			
Other Receivables	1 444 495	313 029	1 131 465
Payments Made In Advance	33 000	-	33 000
Other Debtors	1 411 495	313 029	1 098 465
Total Receivables from Exchange Transactions	1 444 495	313 029	1 131 465
As at 30 June 2015			
Other Receivables	480 221	123 306	356 915
Payments Made In Advance	33 000	-	33 000
Other Debtors	447 221	123 306	323 915
Total Receivables from Exchange Transactions	480 221	123 306	356 915

Receivables from Exchange Transactions have been restated to correctly classify Payments made in Advance. Refer to Note 32 on 'Correction of Error' for details of the restatement.

The Municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies.

The Municipality had one claim outstanding against its Insurers on 30 June 2016 for the damaged council vehicle during June 2016. The insurer has confirmed in July 2016 that an amount R701 134 will be paid out to the Municipality. Therefore amount and timing of the receivable was confirmed and thus the amount was disclosed under Receivables from Exchange Transactions.

	2016 R	2015 R
2.1 Ageing of Receivables from Exchange Transactions		
Other Debtors: Ageing		
<u>Current:</u>		
0 - 30 days	952 877	289 566
<u>Past Due:</u>		
31 - 60 Days	30 265	-
61 - 90 Days	37 502	-
91 - 120 Days	19 832	-
+ 120 Days	404 019	190 655
Total	1 444 495	480 221

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Industrial/ Commercial R	Local Municipalities R	Other R	Total R
As at 30 June 2016				
<u>Current:</u>				
0 - 30 days	715 308	21 218	216 352	952 877
<u>Past Due:</u>				
31 - 60 Days	-	13 000	17 265	30 265
61 - 90 Days	-	13 000	24 502	37 502
+ 90 Days	-	13 000	6 832	19 832
+ 120 Days	66 690	191 063	146 266	404 019
Sub-total	781 997	251 281	411 217	1 444 495
Less: Provision for Impairment	-	65 083	247 946	313 029
Total Trade Receivables by Customer Classification	781 997	186 198	163 270	1 131 465

	Industrial/ Commercial R	Local Municipalities R	Other R	Total R
As at 30 June 2015				
<u>Current:</u>				
0 - 30 days	6 012	241 371	42 183	289 566
<u>Past Due:</u>				
31 - 60 Days	-	-	-	-
61 - 90 Days	-	-	-	-
+ 90 Days	-	-	-	-
+ 120 Days	34 349	-	156 306	190 655
Sub-total	40 361	241 371	198 489	480 221
Less: Provision for Impairment	-	-	123 306	123 306
Total Trade Receivables by Customer Classification	40 361	241 371	75 183	356 915

	2016 R	2015 R
2.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	123 306	36 376
<i>All Consumer Debtors</i>	123 306	36 376
Impairment Losses recognised	189 723	123 306
<i>All Consumer Debtors</i>	189 723	123 306
Impairment Losses reversed	-	(36 376)
<i>All Consumer Debtors</i>	-	(36 376)
Balance at end of year	313 029	123 306

2.4 Ageing of impaired Receivables from Exchange Transactions

<u>Current:</u>		
0 - 30 Days	-	-
<u>Past Due:</u>		
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	313 029	123 306
Total	313 029	123 306

An impairment loss was provided during the 2015/16 financial year due to the uncertainty of the recoverability of the outstanding debtors of R189 723 .

2.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

3. VAT RECEIVABLE / PAYBLE

	2016 R	2015 R
VAT Receivable	-	1 043 690
VAT Payable	(97 831)	-
VAT Receivable / (Payable)	<u>(97 831)</u>	<u>1 043 690</u>

VAT Receivables have been restated to correctly classify VAT Income received from SARS relating to the prior year VAT Receivable already written off. Refer to Note 32 on 'Correction of Error' for details of the restatement.

VAT Payable is the Net Payable from all VAT Control Accounts and agree to the VAT201 Returns.

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The Municipality has financial risk policies in place to ensure that payments are made before the due date.

3.1 Reconciliation of Impairment Losses

Balance at beginning of year	-	-
<i>VAT Receivables</i>	-	-
Impairment Losses recognised	-	-
<i>VAT Receivables</i>	-	-
Impairment Losses reversed	-	-
<i>VAT Receivables</i>	-	-
Amounts written off as uncollectable	-	505 421
<i>VAT Receivables</i>	-	505 421
Amounts recovered	-	(505 421)
<i>VAT Receivables</i>	-	(505 421)
Balance at end of year	<u>-</u>	<u>-</u>

The transactions for Provision for Impairment have been restated to correctly classify VAT Income received from SARS relating to the prior year. Refer to Note 32 on 'Correction of Error' for details of the restatement.

4. CASH AND CASH EQUIVALENTS

Current Investments	2 674 481	2 398
Bank Accounts	1 027 353	90 695
Cash and Cash Equivalents	13 865	11 901
	<u>3 715 700</u>	<u>104 995</u>
Bank Overdraft	-	-
Total Bank, Cash and Cash Equivalents	<u>3 715 700</u>	<u>104 995</u>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Current Investments.

4.1 Current Investment Deposits

Call Deposits	2 674 481	2 398
Total Current Investment Deposits	<u>2 674 481</u>	<u>2 398</u>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3.5% to 4.9% per annum.

FMG: ABSA Account 4051455519	1 763	305
MSIG: ABSA Account 4048776037	-	134
KOF: ABSA Account 1045170264	493	476
OTHER: ABSA Account 1045180260	2 672 225	1 483
Total Current Investment Deposits	<u>2 674 481</u>	<u>2 398</u>

Deposits of R2 674 481 (2015: R2 398) are ring-fenced and partly attributable to Unspent Conditional Grants.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
FMG: ABSA Account 4051455519		
Cash book balance at beginning of year	305	-
Cash book balance at end of year	<u>1 763</u>	<u>305</u>
Bank statement balance at beginning of year	305	-
Bank statement balance at end of year	<u>-</u>	<u>305</u>
MSIG: ABSA Account 4048776037		
Cash book balance at beginning of year	134	-
Cash book balance at end of year	<u>-</u>	<u>134</u>
Bank statement balance at beginning of year	134	-
Bank statement balance at end of year	<u>-</u>	<u>134</u>
KOF: ABSA Account 1045170264		
Cash book balance at beginning of year	476	12 158
Cash book balance at end of year	<u>493</u>	<u>476</u>
Bank statement balance at beginning of year	476	12 158
Bank statement balance at end of year	<u>493</u>	<u>476</u>
OTHER: ABSA Account 1045180260		
Cash book balance at beginning of year	1 483	1 673 521
Cash book balance at end of year	<u>2 672 225</u>	<u>1 483</u>
Bank statement balance at beginning of year	1 483	1 673 521
Bank statement balance at end of year	<u>2 672 225</u>	<u>1 483</u>

4.2 Bank Accounts

Cash in Bank	1 027 353	90 695
Total Bank Accounts	<u>1 027 353</u>	<u>90 695</u>

The Municipality has the following bank accounts:

Primary Bank Account

ABSA Bank Account 2240000035

Cash book balance at beginning of year	90 695	1 513 170
Cash book balance at end of year	<u>1 027 353</u>	<u>90 695</u>
Bank statement balance at beginning of year	90 695	1 513 170
Bank statement balance at end of year	<u>1 027 353</u>	<u>90 695</u>

4.3 Cash and Cash Equivalents

Cash Floats and Advances	13 865	11 901
Total Cash on hand in Cash Floats, Advances and Equivalents	<u>13 865</u>	<u>11 901</u>

Petty Cash Bank Account

ABSA Bank Account 9266723639

Cash book balance at beginning of year	11 901	12 800
Cash book balance at end of year	<u>13 865</u>	<u>11 901</u>
Bank statement balance at beginning of year	11 901	12 800
Bank statement balance at end of year	<u>13 865</u>	<u>11 901</u>

No restrictions have been imposed on the Municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the Municipality is of the opinion that the carrying value of Current Investment

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the Municipality and financial institutions.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

5 PROPERTY, PLANT AND EQUIPMENT

30 June 2016

Reconciliation of Carrying Value

Description	Land	Buildings	Land and Buildings	Other Assets	Total
	R	R	R	R	R
Carrying values at 01 July 2015	18 516 000	2 694 785	21 210 785	2 695 159	23 905 945
Cost	18 516 000	3 716 000	22 232 000	6 430 754	28 662 754
Accumulated Depreciation:	-	(1 021 215)	(1 021 215)	(3 735 595)	(4 756 809)
Acquisitions	-	-	-	468 053	468 053
Depreciation:	-	(107 865)	(107 865)	(481 788)	(589 653)
Carrying value of Disposals:	(540 000)	(1 551 469)	(2 091 469)	(1 087 233)	(3 178 702)
- Cost	(540 000)	(1 660 000)	(2 200 000)	(1 782 230)	(3 982 230)
- Accumulated Depreciation	-	108 531	108 531	694 997	803 528
Carrying values at 30 June 2016	17 976 000	1 035 451	19 011 451	1 594 191	20 605 642
Cost	17 976 000	2 056 000	20 032 000	5 116 577	25 148 577
Accumulated Depreciation:	-	(1 020 549)	(1 020 549)	(3 522 387)	(4 542 935)

30 June 2015

Reconciliation of Carrying Value

Description	Land	Buildings	Land and Buildings	Other Assets	Total
	R	R	R	R	R
Carrying values at 01 July 2014	18 516 000	2 852 480	21 368 480	2 843 774	24 212 254
Cost	18 516 000	3 716 000	22 232 000	6 186 086	28 418 086
Accumulated Depreciation:	-	(863 520)	(863 520)	(3 342 312)	(4 205 832)
Acquisitions	-	-	-	720 290	720 290
Depreciation:	-	(157 695)	(157 695)	(757 675)	(915 370)
Carrying value of Disposals:	-	-	-	(111 229)	(111 229)
- Cost	-	-	-	(475 621)	(475 621)
- Accumulated Depreciation	-	-	-	364 392	364 392
Carrying values at 30 June 2015	18 516 000	2 694 785	21 210 785	2 695 159	23 905 945
Cost	18 516 000	3 716 000	22 232 000	6 430 754	28 662 754
Accumulated Depreciation:	-	(1 021 215)	(1 021 215)	(3 735 595)	(4 756 809)

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment, including those in the course of

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

5 PROPERTY, PLANT AND EQUIPMENT (Continued)

5.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the Municipality.

5.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal

Refer to Note 30 for Property, Plant and Equipment that were retired from active use and held for disposal during the financial year.

5.3 Assets pledged as security

The Municipality did not pledge any of its assets as security, except for Leases Assets.

5.4 Impairment of Property, Plant and Equipment

No Property, Plant and Equipment were impaired from active use during the financial year.

5.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

A change in the estimated useful life of various assets of the Municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year 2015/16:

	2016 R	2015 R
Administration	(560)	-
Asset Management Unit	(257)	-
Budget and treasury office	-	(19 578)
Council Administration	(2 561)	-
Council Services	(3 914)	-
Economic Development/Planning	(86)	(13 141)
Engineering Services	(1 165)	-
Environmental Health	(3 067)	-
Financial Services	(2 175)	-
Housing Accreditation	(1 086)	(2 570)
Human Resources	(5 613)	(3 922)
Information Technology	(88 813)	(287)
Internal Audit	(84)	-
Mayor and Council	-	(7 877)
Municipal Manager	(1 677)	(6 173)
Other	-	(2 744)
Other Admin	-	4 808
PIMMS	(943)	-
Property Services	(7 702)	(4 602)
Risk Management	(267)	-
Technical Support Services	(1 820)	-
Tourism	(1 439)	(2 491)
Total Change in Estimate for Useful Life of Property, Plant and Equipment	(123 229)	(58 576)

5.6 Land and Buildings carried at Fair Value

The Municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

5.7 Compensation received for Losses

Compensation, included in Operating Surplus, was received from the Municipality's insurers for Property, Plant and Equipment lost during the year:

Compensation received from insurers	794 859	33 093
Compensation received from responsible employees	-	-
Carrying value of lost assets	(702 602)	(34 867)
Surplus / (Deficit) on Compensation received for Lost PPE	92 257	(1 775)

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

6 INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

2016
R

2015
R

93 906

132 757

The movement in Intangible Assets is reconciled as follows:

30 June 2016

Carrying values at 01 July 2015

Cost	407 145	407 145
Accumulated Amortisation	(274 388)	(274 388)

Acquisitions:
Purchased

-	-
-	-

Amortisation:
Purchased

(38 852)	(38 852)
(38 852)	(38 852)

Carrying values at 30 June 2016

Cost	407 145	407 145
Accumulated Amortisation	(313 240)	(313 240)

Computer
Software

Total

30 June 2015

Carrying values at 01 July 2014

Cost	357 674	357 674
Accumulated Amortisation	(206 049)	(206 049)

Acquisitions:
Purchased

59 871	59 871
59 871	59 871

Amortisation:
Purchased

(77 664)	(77 664)
(77 664)	(77 664)

Transfers:
At Cost
At Accumulated Amortisation

(1 074)	(1 074)
(10 400)	(10 400)
9 326	9 326

Carrying values at 30 June 2015

Cost	407 145	407 145
Accumulated Amortisation	(274 388)	(274 388)

The amortisation expense has been included in the line item 'Depreciation and Amortisation' in the Statement of Financial Performance (see Note 23).

All of the Municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the Municipality.

No restrictions apply to any of the Intangible Assets of the Municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

6.1 Significant Intangible Assets

The Municipality's intangible assets only comprise of computer related software.

6.2 Intangible Assets with Indefinite Useful Lives

The Municipality amortises all its Intangible Assets and none of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

6.3 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the Municipality at the reporting date.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

6.4 Change in Estimate - Useful Life of Intangible Assets reviewed

The estimated useful lives of Intangible Assets were reviewed on 30 June 2016 but no changes were made by the Municipality

7 FINANCE LEASE RECEIVABLES

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2016			
Housing Selling Scheme Loans	54 766	-	54 766
	<u>54 766</u>	<u>-</u>	<u>54 766</u>
Less: Current Portion transferred to Current Receivables:- Housing Selling Scheme Loans			3 338
			<u>3 338</u>
Total Non-current Finance Lease Receivables			<u>51 428</u>
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2015			
Housing Selling Scheme Loans	84 971	-	84 971
	<u>84 971</u>	<u>-</u>	<u>84 971</u>
Less: Current Portion transferred to Current Receivables:- Housing Selling Scheme Loans			4 482
			<u>4 482</u>
Total Finance Lease Receivables			<u>80 489</u>

HOUSING SELLING SCHEME LOANS

Loans were granted to the tenants of low cost housing erected by the Municipality with funds provided by the State, in order to enable them to purchase the houses they previously rented from the Municipality. Loans are repaid over a period of twenty years and at an interest rate of 5% per annum.

7.1 Leasing Arrangements

The Municipality entered into finance Leasing Arrangements for the house selling scheme loans. All leases are denominated in Currency Units. The average term of Finance Leases entered into is twenty years.

7.2 Amounts receivable under Finance Leases

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2016 R	2015 R	2016 R	2015 R
Within one year	11 878	11 878	11 878	11 878
In the second to fifth years, inclusive	47 512	47 512	47 512	47 512
Over five years	107 421	119 299	107 421	119 299
	<u>166 811</u>	<u>178 689</u>	<u>166 811</u>	<u>178 689</u>
Less: Unearned Finance Income	115 383	98 200	115 383	98 200
Present Value of Minimum Lease Payments Receivable	51 428	80 489	51 428	80 489
Provision for Uncollectable Lease Receivables	-	-	-	-
Total Finance Lease Receivables	<u>51 428</u>	<u>80 489</u>	<u>51 428</u>	<u>80 489</u>
Unearned Finance Income			<u>-</u>	<u>-</u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
Included in the Annual Financial Statements as:		
Non-current Finance Lease Receivables	51 428	80 489
Current Finance Lease Receivables	3 338	4 482
Total Finance Lease Receivables	54 766	84 971

The interest rate inherent in the leases are fixed at the contract date of the entire lease term. The average effective interest rate contracted is approximately 5% (2015: 5%) per annum.

Management of the Municipality is of the opinion that the carrying value of Finance Lease Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Finance Lease Receivables were determined after considering the standard terms and conditions of agreements entered into between the Municipality and other parties.

8 LONG-TERM RECEIVABLES

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2016			
Employee PAYE Debtors	417 454	148 381	269 073
	<u>417 454</u>	<u>148 381</u>	<u>269 073</u>
Less: Current Portion transferred to Current Receivables:-			128 089
Employee PAYE for Reimbursed Income			<u>128 089</u>
Total Long-term Receivables			<u>140 984</u>

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2015			
Employee PAYE Debtors	481 026	-	481 026
	<u>481 026</u>	<u>-</u>	<u>481 026</u>
Less: Current Portion transferred to Current Receivables:-			63 573
Employee PAYE for Reimbursed Income			<u>63 573</u>
Total Long-term Receivables			<u>417 454</u>

Long-term Receivables have been restated to correctly classify amounts held for Employee PAYE Debtors, previously not included in Trade Receivables. Refer to Note 32 on 'Correction of error' for details of the restatement.

Employee PAYE Debtors for Reimbursed Income

During the preparation of the 2015/16 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not capture Reimbursed Travel Income on the employees and Councillors' IRP5 certificates for 2012 & 2013 tax assessments. The employees' tax and interest of 481 026 were charged by SARS which were paid by ZFM during 2015/16 financial year on behalf of the employees. ZFM will recover this amount from employees over a 3 year period with no interest. No short-term portion could be calculated for 2014/15 financial year as there were no agreements in place, thus no repayment amounts could be confirmed.

The Municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the Municipality's financial liabilities.

Long-term Receivables of R148 381 (2015: R0) are past due and a provision for impairment has been made as management have concerns over the recoverability of these assets.

The fair value of Long-term Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
8.1 Ageing of Long-term Receivables		
<u>Current:</u>		
0 - 30 days	269 073	481 026
<u>Past Due:</u>		
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
+ 120 Days	148 381	-
Total	417 454	481 026

As at 30 June Long-term Receivables of R417 454 (2015: R481 026) were past due of which R148 381 (2015: R0) were impaired. No terms for payment have been re-negotiated.

8.2 Reconciliation of the Provision for Impairment

Balance at beginning of year	-	-
Impairment Losses recognised	148 381	-
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	-
Amounts recovered	-	-
Balance at end of year	148 381	-

In determining the recoverability of a Long-term Receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The Provision for Impairment on Long-term Receivables exists predominantly due to the possibility that these debts will not be recovered. Long-term Receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

8.3 Ageing of impaired Receivables from Exchange Transactions

<u>Current:</u>		
0 - 30 Days	-	-
<u>Past Due:</u>		
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	-	-
+ 120 Days	148 381	-
Total	148 381	-

9 PROVISIONS

Performance Bonuses	481 344	418 680
Current Portion of Employee Benefits Liability (See Note 15):	1 653 042	1 486 659
Post-retirement Health Care Benefits Liability	1 278 660	1 232 688
Long Service Awards	374 382	253 971
Total Provisions	2 134 385	1 905 339

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Provisions have been restated to correctly classify Employee Benefits regarding Provision for Post-retirement Health Care Benefits. Refer to Note 32 on 'Correction of Error' for details of the restatement.

The movement in provisions are reconciled as follows:

Performance Bonuses:

Balance at beginning of year	418 680	481 303
Contributions to provision	541 241	423 593
Expenditure incurred	(478 577)	(486 216)
Balance at end of year	481 344	418 680

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Current Portion of Employee Benefits Liability:

	Long Service Awards	Post-retirement Health Care Benefits Liability	Total
	R	R	R
30 June 2016			
Balance at beginning of year	253 971	1 232 688	1 486 659
Transfer from non-current	120 411	45 972	166 383
Balance at end of year	374 382	1 278 660	1 653 042
30 June 2015			
Balance at beginning of year	307 513	1 340 580	1 648 093
Transfer from non-current	(53 542)	(107 892)	(161 434)
Balance at end of year	253 971	1 232 688	1 486 659
	2016	2015	
	R	R	

10 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Creditors	3 390 439	5 991 901
Creditors	1 365 508	2 724 383
Salary Suspense	1 858 044	3 092 033
Accrual	166 887	175 485
Staff Leave Accrued	1 600 629	1 493 563
Retentions	297 476	297 476
Support Accounts	277 133	96 842
Total Creditors	5 565 677	7 879 781

Payables from Exchange Transactions have been restated to correctly classify Trade Payables and Leave Accruals. Refer to Note 32 on 'Correction of Error' for details of the restatement.

Staff Leave accrues to the staff of the Municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Support Accounts are money received from Local Municipalities to render support services to them. The money is kept in separate support accounts so that ZFM District Municipality can have more control over the costing of support services. Only admin fees, actual travel costs and subsistence allowances are deducted from these support accounts.

The Municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the Municipality.

The management of the Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

11 TAXES AND TRANSFERS PAYABLE

Kgotso Pula Nala Project Account	2 936 226	-
Bloodhound Project Account	-	-
Health & Aids Project Account	23 454	-
Other Creditors	-	-
Total Payables	2 959 680	-

No credit period exists for Taxes and Transfers Payable, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The management of the Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

12 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

12.1 Conditional Grants from Government	2 606 670	2 824 212
National Government Grants	1 691 255	50 000
Provincial Government Grants	915 415	2 774 212
Total Conditional Grants and Receipts	2 606 670	2 824 212

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The Unspent Conditional Grants are cash backed by Cash and Cash Equivalents of R3 715 700, refer to Note 4.

Refer to Note 17 for the reconciliation of Grants from Government Receipts. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

An amount of R50 000 was withheld from National Treasury in 2015/16 financial year due to an unspent portion of MSIG in 2014/15 financial year. Refer to the unspent portion in Note 17.2 below.

Unspent Conditional Grants have been restated to correctly classify Housing related expenditure under the Housing Grant. Refer to Note 32 on 'Correction of Error' for details of the restatement.

Refer to Appendix "F" for more detail on Conditional Grants.

13 OPERATING LEASE LIABILITIES

Operating Leases are recognised on the straight-line basis as per the requirements of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

	2016 R	2015 R
Balance at beginning of year	-	-
Operating Lease expenses recorded	54 156	22 764
Operating Lease payments effected	-	-
Total Operating Lease Liabilities	54 156	22 764

Operating Leases have been restated to correctly classify Operating Lease expenditures. Refer to Note 32 on 'Correction of Error' for details of the restatement.

13.1 Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Rental of Office space (Ancorley Building) with lease terms of 3 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the Municipality exercises its option to renew. The Municipality does not have an option to purchase the leased asset at the expiry of the lease period.

13.2 Amounts payable under Operating Leases

At the Reporting Date the Municipality had outstanding commitments under Non-cancellable Operating Leases, which fall due as follows:

Buildings:	1 052 722	1 652 003
Up to 1 year	652 686	599 281
2 to 5 years	400 036	1 052 722
More than 5 years	-	-
Total Operating Lease Arrangements	1 625 310	1 625 310

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	525 685	209 927
Total Operating Lease Expenses	525 685	209 927

The following restrictions have been imposed on the Municipality in terms of the lease agreements on Rental of Office Space:

- (i) The building shall remain the property of the lessor.
- (ii) The lessee shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the building.
- (iii) The building shall be returned in good order and condition to the lessor upon termination of the agreement.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

14 LONG-TERM LIABILITIES

	2016 R	2015 R
Annuity Loans	102 157	579 311
Sub-total	102 157	579 311
Less: Current Portion transferred to Current Liabilities:-	102 157	474 901
Annuity Loans	102 157	474 901
Total Long-term Liabilities (Neither past due, nor impaired)	-	104 410

14.1 Summary of Arrangements

Annuity Loans are repaid over a period of 20 years (2015: 20 years) and at an interest rate of 10% (2015: 10%) per annum. The Annuity Loans are not secured.

The management of the Municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the Municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

15 EMPLOYEE BENEFIT LIABILITIES

Provision for Post-retirement Health Care Benefits Liability	Note 15.1	25 351 228	23 526 053
Provision for Long Service Awards	Note 15.2	2 766 534	2 530 087
Total Non-current Provisions		28 117 762	26 056 140

15.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	24 758 741	20 419 017
Correction on Opening Balance		3 794 631
Contributions to Provision	560 340	(609 626)
Increase due to Discounting	2 856 517	2 742 092
Expenditure incurred	(1 545 710)	(1 587 373)
Balance at end of Year	26 629 888	24 758 741
Transfer to Current Provisions	(1 278 660)	(1 232 688)
Total Post-retirement Health Care Benefits Liability	25 351 228	23 526 053

The Municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the Municipality. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the Municipality is liable for a certain portion of the medical aid membership fee. The Municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	55	47
In-service Non-members (Employees)	46	51
Continuation Members (Retirees, widowers and orphans)	31	31
Total Members	132	129

The liability in respect of past service has been estimated as follows:

In-service Members (Employees)	7 014 217	5 230 506
In-service Non-members (Employees)	2 077 669	1 951 374
Continuation Members	17 538 002	17 576 861
Total Liability	26 629 888	24 758 741

The Municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Keyhealth
- LA Health

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The Current-service Cost for the year ending 30 June 2016 is R725 081 where as the cost for the ensuing year is estimated to be R865 450 (30 June 2018: R945 410).

The Interest Cost for the year ending 30 June 2016 is R2 131 436 where as the cost for the ensuing year is estimated to be R2 402 613 (30 June 2018: R2 581 602).

	2016 R	2015 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	9.24%	8.82%
Health Care Cost Inflation Rate	8.34%	7.96%
Net Effective Discount Rate	0.83%	0.80%
Expected Rate of Salary Increase	6.00%	7.00%
Expected Retirement Age - Females	58	58
Expected Retirement Age - Males	58	58

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	24 758 741	24 213 648
Current service costs	725 081	636 368
Interest cost	2 131 436	2 105 724
Benefits paid	(1 545 710)	(1 587 373)
Actuarial gains	-	(609 626)
Actuarial losses	560 340	-
Present Value of Fund Obligation at the end of the Year	26 629 888	24 758 741
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	26 629 888	24 758 741

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	26 629 888	24 758 741
Fair value of plan assets	-	-
	26 629 888	24 758 741
Present value of unfunded obligations	-	-
Unfunded Accrued Liability	26 629 888	24 758 741
Unrecognised Actuarial Gains / (Losses)	-	-
Total Benefit Liability	26 629 888	24 758 741

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	725 081	636 368
Interest cost	2 131 436	2 105 724
Benefits paid	(1 545 710)	(1 587 373)
Actuarial losses gains	-	(609 626)
Actuarial losses	560 340	-
Total Post-retirement Benefit included in Employee Related Costs (Note 21)	1 871 147	545 093

	2016 R	2015 R	2014 R	2013 R	2012 R
The history of experienced adjustments is as follows:					
Present Value of Defined Benefit Obligation	26 629 888	24 758 741	24 213 648	20 544 002	18 623 851
Fair Value of Plan Assets	-	-	-	-	-
Deficit	26 629 888	24 758 741	24 213 648	20 544 002	18 623 851

History of experience adjustments:

Gains and Losses:

Experienced adjustments on Plan Liabilities	594 000	(485 000)	(506 000)	1 841 000	(93 000)
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Above figures summarises the experience adjustments for the current period and the previous three periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

	2016 R	2015 R
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	2 971 000	2 843 600
Effect on the defined benefit obligation	27 371 000	25 659 000

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Decrease:

Effect on the aggregate of the current service cost and the interest cost	2 676 000	2 577 200
Effect on the defined benefit obligation	25 415 000	23 368 000

The Municipality expects to make a contribution of R1 278 660 (30 June 2015: R1 232 688) to the Defined Benefit Plans during the next financial year.

Refer to Note 39, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the Municipality's other retirement funds that is Provincially and Nationally administered.

Refer to Note 32, "Correction of Error", to the Annual Financial Statements for more information regarding the prior year correction to include all In-service employee to the Post-retirement Health Care Benefits Liability.

	2016	2015
	R	R
15.2 Long Service Awards		
Balance at beginning of Year	2 784 058	1 595 590
Correction on Opening Balance		1 203 376
Contributions to Provision	(31 888)	(242 420)
Increase due to Discounting	490 188	486 808
Expenditure incurred	(101 442)	(259 296)
Balance at end of Year	3 140 916	2 784 058
Transfer to Current Provisions	(374 382)	(253 971)
Total Long Service Awards Liability	2 766 534	2 530 087

The Municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, and every 1 year after 25 years of continuous service, to employees according to Collective Agreement Circular 1/2014 dated 27/10/2014 and the Council resolution in November 1996. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 101 (2015: 98) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2016 is estimated to be R270 275, whereas the cost for the ensuing year is estimated to be R292 961 (30 June 2018: R318 392).

The Interest Cost for the year ending 30 June 2016 is estimated to be R219 913, whereas the cost for the ensuing year is estimated to be R256 740 (30 June 2018: R274 152).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	8.68%	8.27%
Net Effective Discount Rate	1.26%	0.98%
Expected Rate of Salary Increase (Long term)	7.33%	7.22%
Expected Retirement Age - Females	58	58
Expected Retirement Age - Males	58	58

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	2 784 058	2 798 966
Current service costs	270 275	272 472
Interest cost	219 913	214 336
Benefits paid	(101 442)	(259 296)
Actuarial Loss/(Gains)	(31 888)	(242 420)
Present Value of Fund Obligation at the end of the Year	3 140 916	2 784 058
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	3 140 916	2 784 058

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	3 140 916	2 784 058
	3 140 916	2 784 058
Present value of unfunded obligations	-	-
Unfunded Accrued Liability	3 140 916	2 784 058
Actuarial gains / (losses) not recognised	-	-
Total Benefit Liability	3 140 916	2 784 058

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	270 275	272 472
Interest cost	219 913	214 336
Expenditure incurred	(101 442)	(259 296)
Actuarial Loss/(Gains)	(31 888)	(242 420)
	<u>356 858</u>	<u>(14 908)</u>

	2016 R	2015 R	2014 R	2013 R	2012 R
The history of experienced adjustments is as follows:					
Present Value of Defined Benefit Obligation	3 140 916	2 784 058	2 798 966	1 373 892	994 791
Deficit	<u>3 140 916</u>	<u>2 784 058</u>	<u>2 798 966</u>	<u>1 373 892</u>	<u>994 791</u>

	2016 R	2015 R	2014 R	2013 R	2012 R
History of experience adjustments:					
Gains and Losses:					
Experienced adjustments on Plan Liabilities	201 313	(112 056)	72 551	325 940	38 977

Above figures summarises the experience adjustments for the current period and the previous three periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

	2016 R	2015 R
The effect of a 1% salary movement in the assumed rate of long service cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	537 500	535 000
Effect on the defined benefit obligation	3 397 000	3 019 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	448 400	444 400
Effect on the defined benefit obligation	2 913 000	2 575 000

The Municipality expects to make a contribution of R374 382 (2015: R253 971) to the defined benefit plans during the next financial year.

15.3 Actuarial Gains on Employee Benefits

Post-retirement Health Care Benefits	Note 15.1	-	609 626
Long Service Awards	Note 15.2	31 888	242 420
Total Actuarial Gains on Employee Benefits		<u>31 888</u>	<u>852 046</u>

16 ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Accumulated Surplus / (Deficit) due to the results of Operations	(15 767 767)	(13 157 247)
Total Accumulated Surplus	<u>(15 767 767)</u>	<u>(13 157 247)</u>

Accumulated Surplus has been restated to correctly classify amounts held by the Municipality. Refer to Note 32 ('Correction of error') for details of the restatements.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

17 GOVERNMENT GRANTS AND SUBSIDIES

National Equitable Share	50 187 000	47 645 000
Operational Grants	<u>50 187 000</u>	<u>47 645 000</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
Conditional Grants	5 794 542	5 003 054
National: MSIG	980 000	934 000
National: FMG	1 250 000	1 250 000
National: Rural Roads Asset Management Systems Grant	780 589	-
National: EPWP Incentive Grant	925 156	1 000 000
Provincial: Disaster Management - Near Project Subsidy	339 286	220 185
Provincial: Disaster Management - Fire Equipment Grant	337 241	282 250
Provincial: Housing Accreditation DPLG National	1 182 271	1 316 618
Total Government Grants and Subsidies	55 981 542	52 648 054

Government Grants and Subsidies have been restated to correctly classify Housing related expenditure under the Housing Grant. Refer to Note 32 on 'Correction of Error' for details of the restatement.

Operational Grants:

17.1 National: Equitable Share

50 187 000	47 645 000
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In terms of the Constitution, this grant was used in the 2016 financial year under review according to the conditions set out by the Division of Revenue Act, 2015.

An amount of R50 000 was withheld from National Treasury in 2015/16 financial year due to an unspent portion of MSIG in 2014/15 financial year. Refer to the unspent portion in Note .2 below.

In the current financial year the grant was used for operational expenses.

Conditional Grants:

17.2 National: MSIG

Balance unspent at beginning of year	50 000	-
Current year receipts	930 000	934 000
Prior year receipts for 2015/16 financial year	-	50 000
Conditions met - transferred to Revenue: Operating Expenses	(850 088)	(570 310)
Conditions met - transferred to Revenue: Capital Expenses	(129 912)	(363 690)
Conditions still to be met - transferred to Liabilities (see Note 12)	-	50 000

The Municipal Systems Improvement Grant is allocated to assist the Municipality in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation, policies and local government turnaround strategy. The grant is spent according to an approved business plan. No funds have been withheld.

17.3 National: FMG

Balance unspent at beginning of year	-	-
Current year receipts	1 250 000	1 250 000
Conditions met - transferred to Revenue: Operating Expenses	(1 250 000)	(1 250 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 12)	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The Grant is also used to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA as part of strengthening financial and asset management in the Municipality.

17.4 National: Rural Road Asset Management Systems Grant

Balance unspent at beginning of year	-	-
Current year receipts	2 397 000	-
Conditions met - transferred to Revenue: Operating Expenses	(704 709)	-
Conditions met - transferred to Revenue: Capital Expenses	(75 880)	-
Conditions still to be met - transferred to Liabilities (see Note 12)	1 616 411	-

To assist rural district municipalities to set up Rural Road Asset Management Systems (RRAMS), and collect road, bridge and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa (RISFSA).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
17.5 National: EPWP Incentive Grant		
Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	1 000 000
Conditions met - transferred to Revenue: Operating Expenses	(925 156)	(980 171)
Conditions met - transferred to Revenue: Capital Expenses	-	(19 829)
Conditions still to be met - transferred to Liabilities (see Note 12)	<u>74 844</u>	<u>-</u>

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme guidelines.

17.6 Provincial: Disaster Management - Near Project Subsidy

Balance unspent at beginning of year	732 212	287 397
Current year receipts	-	315 000
Prior year receipts for 2015/16 financial year	-	350 000
Conditions met - transferred to Revenue: Operating Expenses	(339 286)	(220 185)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 12)	<u>392 926</u>	<u>732 212</u>

To enhance Municipalities capacity to deal with disasters and emergencies. COGHSTA paid the 2015/16 grant funds during June 2015.

17.7 Provincial: Disaster Management - Fire Equipment Grant

Balance unspent at beginning of year	501 639	118 889
Current year receipts	-	315 000
Prior year receipts for 2015/16 financial year	-	350 000
Conditions met - transferred to Revenue: Operating Expenses	(337 241)	(275 959)
Conditions met - transferred to Revenue: Capital Expenses	-	(6 291)
Conditions still to be met - transferred to Liabilities (see Note 12)	<u>164 399</u>	<u>501 639</u>

To enhance Municipalities capacity to deal with fire incidents. COGHSTA paid the 2015/16 grant funds during June 2015.

17.8 DRD Sewer network and oxidation ponds RVM V/V

Balance unspent at beginning of year	289 435	289 435
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 12)	<u>289 435</u>	<u>289 435</u>

This grant was used to build a sewerage and water infrastructure as part of the upgrading of informal settlement areas. Funds received for example implementation readiness study for Riemvasmaak Mission Water pipeline. The outstanding balance has been withheld until the service provider has completed the project.

17.9 Provincial: Housing Accreditation DPLG National

Balance unspent at beginning of year	1 250 926	147 544
Current year receipts	-	1 370 000
Prior year receipts for 2015/16 financial year	-	1 050 000
Over expenditure on Grant transferred to operating expenses	-	-
Conditions met - transferred to Revenue: Operating Expenses	(1 134 433)	(1 236 058)
Conditions met - transferred to Revenue: Capital Expenses	(47 837)	(80 560)
Conditions still to be met - transferred to Liabilities (see Note 12)	<u>68 655</u>	<u>1 250 926</u>

The purpose of this grant was to allow the Municipality to build capacity in-house for the performing of the housing function. COGHSTA paid the 2015/16 grant funds during June 2015.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
17.10 Summary of Conditional Grants:		
Balance unspent at beginning of year	2 824 212	843 265
Current year receipts	5 577 000	5 184 000
Prior year receipts for 2015/16 financial year	-	1 800 000
Conditions met - transferred to Revenue: Operating Expenses	(5 540 913)	(4 532 684)
Conditions met - transferred to Revenue: Capital Expenses	(253 629)	(470 370)
Conditions still to be met - transferred to Liabilities (see Note 12)	<u>2 606 670</u>	<u>2 824 212</u>
Grants classified under Receivables from Non-exchange Transactions	-	-
Unspent Conditional Grants (Current Liabilities)	<u><u>2 606 670</u></u>	<u><u>2 824 212</u></u>

18 RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Other Facilities	5 905	44 594
Total Rental of Facilities and Equipment	<u><u>5 905</u></u>	<u><u>44 594</u></u>

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

19 INTEREST EARNED

External Investments:

Investments and Bank Account	531 966	305 804
	<u><u>531 966</u></u>	<u><u>305 804</u></u>

Outstanding Debtors:

Finance Leases	4 034	4 293
Other Outstanding Debtors - SARS	20 529	44 214
	<u><u>24 563</u></u>	<u><u>48 508</u></u>

Total Interest Earned

<u><u>556 529</u></u>	<u><u>354 312</u></u>
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Interest Earned has been restated to correctly classify interest received for VAT already written off in the prior year. Refer to Note 32 on 'Correction of Error' for details of the restatement.

20 OTHER INCOME

Admin Revenue	735 108	98 717
LGSETA	147 317	18 678
Grants	405 350	-
Support to Local Municipalities	98 515	39 911
Other	83 926	40 129
Commission - Insurance	37 646	37 918
Monies sundries	61 137	95 378
Shared Services	156 000	156 000
Tender Deposits	3 089	9 265
Internal Rental Income - Vehicles	91 780	149 878
Total Other Income	<u><u>1 084 760</u></u>	<u><u>547 157</u></u>

Other Income has been restated to correctly classify Unspent Conditional Grants and Employee Benefit Liabilities. Refer to Note 32 on 'Correction of Error' for details of the restatement.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

21 EMPLOYEE RELATED COSTS

	2016 R	2015 R
Employee Related Costs - Salaries and Wages	27 083 742	26 453 606
Basic Salaries and Wages	24 922 043	24 656 747
Contribution to Leave Fund	343 358	68 910
Service Bonuses	1 818 341	1 727 949
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	5 722 433	5 502 390
Medical	1 366 707	1 215 998
Pension	3 876 831	3 831 020
Industrial Council Levy	23 600	7 634
Skills Development Levy	294 290	278 041
UIF	161 006	169 698
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	4 181 448	3 872 825
Allowances	4 181 448	3 872 825
Housing Benefits and Allowances	338 030	344 413
Performance Bonuses	541 241	423 593
Defined Benefit Plan Expense:	3 907 045	3 228 900
- Long Service Awards		
Current Service Cost	270 275	272 472
Interest Cost	219 913	214 336
- Post-retirement Health Care Benefits Liability		
Current Service Cost	725 081	636 368
Interest Cost	2 131 436	2 105 724
Net Actuarial losses recognised	560 340	-
Total Employee Related Costs	41 773 938	39 825 726

Employee Related Costs has been restated to correctly classify expenditures that were not allocated to Employee Related Cost in the prior year and also for errors identified during the 2015/16 financial year. Refer to Note 32 on 'Correction of Error' for details of the restatement.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager:

Annual Remuneration	967 463	961 110
Bonus	81 000	-
Performance Bonus	204 152	180 000
Car and Other Allowances	652 546	640 740
Total	1 905 161	1 781 850

Remuneration of Director: Financial Services

Annual Remuneration	406 361	522 815
Bonus	40 363	-
Performance Bonus	109 003	102 072
Scars Skills Allowance	53 817	
Car Allowance	463 562	384 331
Company Contributions to Medical and Pension Funds	53 170	47 931
Cellphone Allowance	4 800	2 400
Housing	15 600	15 600
Total	1 146 676	1 075 149

***Remuneration of the Director: Technical Services
(Seconded to Kai Garib Local Municipality)***

Acting Allowance	102 030	194 997
Cellphone Allowance	-	14 950
Performance Bonus	56 420	102 072
Total	158 450	312 019

Remuneration of the Director: Corporate Services

Annual Remuneration	452 999	428 031
Performance Bonus	109 003	102 072
Car Allowance	378 211	346 294
Company Contributions to Medical and Pension Funds	125 130	118 431
Housing	15 600	15 600
Total	1 080 943	1 010 428

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June:		
Staff Leave Benefits:-		
Municipal Manager	116 640	84 578
Director: Financial Services	46 821	24 709
Director: Technical Services	87 935	66 773
Director: Corporate Services	21 984	20 545
Total	273 379	196 605

Refer to Appendix G for more detail.

22 REMUNERATION OF COUNCILLORS

Mayor	565 453	538 871
Speaker	383 897	418 414
Executive Committee Members	1 207 259	1 151 836
Councillors	207 463	179 362
Company Contributions to UIF, Medical and Pension Funds	33 785	32 184
UIF	2 098	3 421
Skills Development Levy	31 687	28 764
Other Allowances (Cellular Phones, Housing, Transport, etc.)	892 105	869 530
Telephone Allowance	133 469	125 207.54
Travelling Allowance	758 636	744 322.50
Total Councillors' Remuneration	3 289 960	3 190 198

In-kind Benefits

The Councillors occupying the positions of Executive Mayor and Speaker of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties.

Councillors may utilise official Council transportation when engaged in official duties.

The Executive Mayor has use of Council owned vehicles for official duties.

Refer to Appendix G for more detail.

23 DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	589 653	915 370
Amortisation: Intangible Assets	38 852	77 664
Total Depreciation and Amortisation	628 505	993 034

24 IMPAIRMENT LOSSES

24.1 Impairment Losses on Financial Assets

Impairment Losses Recognised (written off during the current year):	1 263	505 421
Long-term Receivables Note 8	1 263	-
VAT Receivable Note 3	-	505 421
Impairment Losses Recovered:	-	(505 421)
Long-term Receivables Note 8	-	-
VAT Receivable Note 3	-	(505 421)
Movement in the Provision for Receivables from Exchange Transactions:	338 104	123 306
Long-term Receivables Note 8	148 381	-
Receivables from Exchange Transactions Note 2	189 723	123 306
Total Impairment Losses	339 367	123 306

Impairment Losses have been restated to correctly classify VAT Income received from SARS for the prior year which were written off. Refer to Note 32 on 'Correction of Error' for details of the restatement.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

An impairment loss was recognised due to a payment made to SARS during the 2015/16 financial year regarding Reimbursed Income Tax which was never disclosed on the IRP5 certificates. The payment included an deceased employee and the amount could not be recovered. Therefore Long-term Receivables were written-off by R1 263 .

An impairment loss was provided during the 2015/16 financial year due to the uncertainty of the recoverability of outstanding debtors of R339 367 .

	2016 R	2015 R
25 REPAIRS AND MAINTENANCE		
Land and Buildings	124 657	95 296
Other Assets	203 851	194 299
Intangible Assets	380 615	273 347
Total Repairs and Maintenance	709 122	562 942
26 FINANCE COSTS		
Long-term Liabilities	34 090	119 551
Fleet Petrol Cards	869	766
Total Interest Paid on External Borrowings	34 959	120 317
27 CONTRACTED SERVICES		
Professional Fees	28 252	27 615
Total Contracted Services	28 252	27 615
28 GRANTS AND SUBSIDIES PAID		
Conditional Grants Paid	5 223 987	4 138 902
Total Grants and Subsidies	5 223 987	4 138 902
Grants and Subsidies Paid have been restated to correctly classify Housing related expenditure under the Housing Grant. Refer to Note 32 on 'Correction of Error' for details of the restatement.		
These expenditure were incurred in respect of operational conditional grants.		
29 GENERAL EXPENSES		
Included in General Expenses are the following:		
External Audit Fees	2 112 926	2 107 290
Accounting	-	200
Advertisements	39 371	146 166
Bank charges	116 183	65 440
Bouquets	-	600
Brochures	-	11 343
Cleaning materials	18 216	22 672
Cleaning Services	35 453	61 829
Compensation Commissioner	369 372	401 431
Congress	-	18 654
Consumables	52 373	20 652
Contracts	291 987	288 949
Electricity	367 445	337 157
Entertainment Costs	170 165	255 882
Fruitless	6 560	78 749
Fuel and Oil	272 455	401 851
Information Technology	23 445	67 179
Insurance	271 087	175 209
Internet Charges	73 845	70 893
Legal Fees	36 666	96 647
License Fees	7 552	5 811
Mayoral Funds	117 655	368 457
Medical examinations	3 130	2 000

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
Membership Fees	500 000	510 466
Operating project	-	6 366
Parts	20 700	25 059
Performance management	80 815	10 741
Postage Fees	6 363	3 392
Printing & Stationary	53 703	79 931
Property rates	130 379	128 577
Protective Clothing	-	3 282
Refreshments	17 142	18 996
Rental of assets	1 030 616	872 426
Risk and Audit Committee	73 052	-
Sanitation and sewerage	40 834	53 773
Special programmes	-	88 924
SPLUMA	27 765	-
Study aid	500	43 263
Subsistence Allowance	739 212	1 025 530
Sundry Expenses	2 142	68 787
Telephone	735 878	754 966
Tourism	3 536	17 669
Training	-	102 600
Translation services	-	29 011
Travel Costs	1 064 230	1 141 657
Uniforms	702	17 537
Vehicle expenses	41 991	35 531
Water costs	32 905	25 199
Total General Expenses	8 988 349	10 068 744

General Expenses have been restated to correctly reclassify expenditures in General Expenses. Refer to Note 32 on 'Correction of Error' for details of the restatement.

No other extra-ordinary expenses were incurred.

30 PROFIT / LOSS ON DISPOSAL OF ASSETS

Disposal of PPE consists out of the following:

Losses/(Gains) on disposal of Buildings	(913 531)	-
Losses/(Gains) on disposal of Other Assets	231 460	-
Losses/(Gains) on write-offs of Other Assets	(63 227)	108 623
Net Loss / (Profit) on disposal of PPE	(745 297)	108 623

Every year an auction is held to dispose old and unused assets that were written off by Council on year-end. One Council vehicle was also written off in June 2016 but the proceeds from the Insurance Company were paid out in August 2016 and therefore a Debtor was raised on 30 June 2016. Total proceeds on PPE received during the current financial year were R3 924 000 (2015: R3 680).

31 CHANGE IN ACCOUNTING POLICY

31.1 Reclassification of Non-current Assets Held-for-Sale

GRAP 100, revised in February 2013, withdrew the measurement, presentation and disclosure requirements related to Non-Current Assets Held For Sale.

Changes to the way in which non-current assets held for sale are measured, have been applied prospectively at the beginning of the period in which these amendments are adopted.

Changes to the way in which non-current assets held for sale are classified and presented on the Statement of Financial Position and accompanying notes, have been applied retrospectively by adjusting information for the earliest period presented.

The 2013/14 financial year amounts have been restated in the prior year audited Annual Financial Statements. The effect of the change in Accounting Policy is as follows:

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The effect of the changes are as follows:

	Non-current Assets Held-for- Sale	Property, Plant and Equipment
Restated Total for 30 June 2013	-	-
Total as per AFS previously published for 2013/14	2 200 000	22 012 254
Reclassification of Non-current Assets Held-for-Sale	(2 200 000)	2 200 000
Restated Total as per AFS currently disclosed for 2013/14	-	24 212 254
	2016	2015
	R	R

Effect of the Change in Accounting Policy:

The effect from the above-mentioned changes in Accounting Policies on the profit and loss and the nature of the changes in the Accounting Policies is as follows:

- GRAP 17 Property, Plant and Equipment (Depreciation)	-	75 455
- GRAP 100 Discontinued Operations	-	-
Total Decrease / (Increase) in Surplus as at 30 June	-	75 455

The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2016.

32 CORRECTION OF ERROR

Corrections were made and appropriated to the Accumulated Surplus Account during the financial years ended 30 June 2016 and 30 June 2015.

Details of the appropriations are as follows:

Opening balance surplus account (excluding Surplus/Deficit)	(13 157 247)	(3 286 353)
Published Surplus / (deficit) for the year	(2 610 519)	(5 063 827)
	(15 767 767)	(8 350 180)

Corrections on Opening balance:

Correction of 2012/13 Payables from Exchange Transactions - SARS Penalty	-	(34 850)
Correction of 2012/13 Payables from Exchange Transactions - SARS PAYE	-	(492 697)
Correction of 2012/13 Long-term Receivables - SARS PAYE	-	417 454
Correction of 2012/13 Current Portion of Long-term Receivables - SARS PAYE	-	63 573
Correction of 2012/13 VAT Receivables - SARS PAYE	-	11 671
Correction of 2013/14 Payables from Exchange Transactions - Leave Accrual	-	(124 792)
Correction of 2013/14 Employee Benefits - PEMA	-	(3 547 838)
Correction of 2013/14 Provisions - PEMA	-	(246 793)
Correction of 2013/14 Employee Benefits - LSA	-	(1 146 317)
Correction of 2013/14 Provisions - LSA	-	(57 059)

Unappropriated Surplus Account:

Corrections were made on the following account balances:

Current Assets

Receivables from Exchange Transactions	33 000
VAT Receivable	549 635

Current Liabilities

Provisions	389 610.30
Payables from Exchange Transactions	235 439
Unspent Conditional Grants and Receipts	145 690
Operating Lease Liabilities	(2 183)
Employee Benefit Liabilities	(1 000 610)

Increase / (Decrease) in Unappropriated Surplus Account - Correction of error	-	(4 807 067)
Closing balance Surplus Account	(15 767 767)	(13 157 247)

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Nature

Corrections made on opening balance Surplus Account:

1) During the preparation of the 2015/16 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not capture Reimbursed Travel Income on the employees and Councillors' IRP5 certificates for 2012 & 2013 tax assessments. The employees' tax of R368 593 and interest of R112 433 were charged by SARS. The total amount of 481 026 (368 593 + 112 433) was paid by ZFM during 2015/16 financial year on behalf of the employees. ZFM recover this amount from employees over a 3 year period. Therefore Long-term Receivables of R417 453 (R481 026 min R63 573) and Payables from Exchange Transactions (Trade Creditors) of R481 026 were retrospectively corrected on 30 June 2013. The Current Portion of Long-term Receivables of R63 573 was also retrospectively corrected on 30 June 2013.

Penalties were charged by SARS which were paid by ZFM during 2015/16 financial year. Therefore Fruitless and Wasteful Expenditures and Payables from Exchange Transactions (Trade Creditors) of R34 850 were retrospectively corrected for the 2012/13 financial period.

The 2013 tax assessment was incorrectly calculated by SARS and a refund was provided during the 2015/16 financial year. Therefore the difference of R11 671 was retrospectively corrected to increase VAT Receivables and to decrease Long-term Receivables.

2) During the preparation of the 2015/16 Annual Financial Statements it was noted that leave balances of employees were incorrectly calculated by the leave system. The leave balance of all employees were reviewed by Human Resources and Internal Audit Unit for the 2014/15 and 2015/16 financial year. Therefore the difference of R124 792 was retrospectively corrected to increase Leave Accrual on 30 June 2014 and the difference of R144 278 was retrospectively corrected to decrease Leave Accrual on 30 June 2015.

3) During the preparation of the 2015/16 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not include In-service employee in the Provision for Post-retirement Health Care Benefits Liability for the prior years. Only retrenched employees were included in the Post-retirement Health Care Benefits Liability valuation for prior years. Therefore on 30 June 2014 Employee Benefits were retrospectively increased by R3 547 838 and Provisions (Short-term portion of Employee Benefits) were retrospectively increased by R246 793. On 30 June 2015 Employee Benefits were retrospectively increased by R929 708, Provisions (Short-term portion of Employee Benefits) were retrospectively decreased by R407 893, Actuarial Gains on Employee Benefits were retrospectively increased by R538 496 and Employee Related Cost were retrospectively increased by R1 060 311.

4) During the preparation of the 2015/16 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not take into account the yearly Long-service Awards after 25 continuous years. Only 5 yearly Long-service awards were taken into account in the Long-service Awards valuation for prior years. Therefore on 30 June 2014 Employee Benefits were retrospectively increased by R1 146 317 and Provisions (Short-term portion of Employee Benefits) were retrospectively increased by R57 059. On 30 June 2015 Employee Benefits were retrospectively increased by R70 902, Provisions (Short-term portion of Employee Benefits) were retrospectively decreased by R18 283, Actuarial Gains were retrospectively increased by R120 861 and Employee Related Cost were retrospectively increased by R210 046.

Receivables from Exchange Transactions

1) During the preparation of the 2015/16 Annual Financial Statements it was noted that a deposit of R33 000 was incorrectly allocated to rental expenses in the 2014/15 Statement of Financial Performance and was not disclosed a Payment made in Advance. Therefore the difference of R33 000 was retrospectively corrected to increase Receivables from Exchange Transactions on 30 June 2015. It was also noted that rates, taxes, refuse and sewerage of R28 463 were not included in the calculation of the tender value. The deposit of R33 000 was also incorrectly included in the tender register. Therefore the tender value was retrospectively corrected in the Tender Register and Commitments was increased by R28 463 and Operating Lease Liabilities were increased by R2 183.

VAT Receivables

1) During the preparation of the 2015/16 Annual Financial Statements it was noted that money was received from SARS for VAT already written off by ZFM in the 2014/15 financial year. Therefore VAT Receivables were retrospectively corrected to increase VAT Receivables and decrease Impairment Losses of R505 421 on 30 June 2015. Interest of R44 214 relating to the 2014/15 financial year was also paid over by SARS and therefore VAT Receivables were also retrospectively corrected on 30 June 2015.

Current Portion of Long-term Receivables

1) During the preparation of the 2015/16 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not capture Reimbursed Travel Income on the employees and Councillors' IRP5 certificates for 2012 & 2013 tax assessments. The employees' tax of R368 593 and interest of R112 433 were charged by SARS. The total amount of 481 026 (368 593 + 112 433) was paid by ZFM during 2015/16 financial year on behalf of the employees. ZFM recover this amount from employees over a 3 year period. Therefore Long-term Receivables and Payables from Exchange Transactions (Trade Creditors) of R417 453 (R481 026 min R63 573) were retrospectively corrected on 30 June 2013. The Current Portion of Long-term Receivables of R63 573 was also retrospectively corrected on 30 June 2013.

Penalties were charged by SARS which were paid by ZFM during 2015/16 financial year. Therefore Fruitless and Wasteful Expenditures and Payables from Exchange Transactions (Trade Creditors) of R34 850 were retrospectively corrected for the 2012/13 financial period.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Long-term Receivables

1) During the preparation of the 2015/16 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not capture Reimbursed Travel Income on the employees and Councillors' IRP5 certificates for 2012 & 2013 tax assessments. The employees' tax of R368 593 and interest of R112 433 were charged by SARS. The total amount of 481 026 (368 593 + 112 433) was paid by ZFM during 2015/16 financial year on behalf of the employees. ZFM recover this amount from employees over a 3 year period. Therefore Long-term Receivables of R417 453 (R481 026 min R63 573) and Payables from Exchange Transactions (Trade Creditors) of R481 026 were retrospectively corrected on 30 June 2013. The Current Portion of Long-term Receivables of R63 573 was also retrospectively corrected on 30 June 2013.

Penalties were charged by SARS which were paid by ZFM during 2015/16 financial year. Therefore Fruitless and Wasteful Expenditures and Payables from Exchange Transactions (Trade Creditors) of R34 850 were retrospectively corrected for the 2012/13 financial period.

The 2013 tax assessment was incorrectly calculated by SARS and a refund was provided during the 2015/16 financial year. Therefore the difference of R11 671 was retrospectively corrected to increase VAT Receivables and to decrease Long-term Receivables.

Provisions

1) During the preparation of the 2015/16 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not include In-service employee in the Provision for Post-retirement Health Care Benefits Liability for the prior years. Only retrenched employees were included in the Post-retirement Health Care Benefits Liability valuation for prior years. Therefore on 30 June 2014 Employee Benefits were retrospectively increased by R3 547 838 and Provisions (Short-term portion of Employee Benefits) were retrospectively increased by R246 793. On 30 June 2015 Employee Benefits were retrospectively increased by R929 708, Provisions (Short-term portion of Employee Benefits) were retrospectively decreased by R407 893, Actuarial Gains on Employee Benefits were retrospectively increased by R538 496 and Employee Related Cost were retrospectively increased by R1 060 311.

2) During the preparation of the 2015/16 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not take into account the yearly Long-service Awards after 25 continuous years. Only 5 yearly Long-service awards were taken into account in the Long-service Awards valuation for prior years. Therefore on 30 June 2014 Employee Benefits were retrospectively increased by R1 146 317 and Provisions (Short-term portion of Employee Benefits) were retrospectively increased by R57 059. On 30 June 2015 Employee Benefits were retrospectively increased by R70 902, Provisions (Short-term portion of Employee Benefits) were retrospectively decreased by R18 283, Actuarial Gains were retrospectively increased by R120 861 and Employee Related Cost were retrospectively increased by R210 046.

Payables from Exchange Transactions

1) During the 2015/16 financial year a payment was made to SARS for arrear Skills Development Levies relating to the 2015/02 tax period. Therefore the SARS creditor and SDL expenditure was understated on 30 June 2015 by R6341 and was retrospectively corrected. Interest and penalties to the amount of R211 and R778 were also charged and paid. Therefore Fruitless and Wasteful Expenditures and Payables from Exchange Transactions (Salary Suspense) of R989 were retrospectively corrected for the 2014/15 financial period.

2) During the preparation of the 2015/16 Annual Financial Statements it was noted that leave balances of employees were incorrectly calculated by the leave system. The leave balance of all employees were reviewed by Human Resources and Internal Audit Unit for the 2014/15 and 2015/16 financial year. Therefore the difference of R124 792 was retrospectively corrected to increase Leave Accrual on 30 June 2014 and the difference of R144 278 was retrospectively corrected to decrease Leave Accrual on 30 June 2015.

3) During the preparation of the 2015/16 Annual Financial Statements it was noted that the accrual for Compensation Commissioner as at 30 June 2015 was overstated by R128 169. Therefore Payables from Exchange transactions and Compensation Commissioner expenditure were retrospectively decreased by R128 169.

4) During the preparation of the 2015/16 Annual Financial Statements it was noted that the outstanding leave balance of Mr W van Wyk was overstated by R5 161 on 30 June 2015. Therefore Payables from Exchange Transactions and Employee Related Cost were decreased retrospectively by R5 161.

5) During the preparation of the 2015/16 Annual Financial Statements it was noted that the outstanding leave balance of Mr R Farmer was understated by R4 871 on 30 June 2015. Therefore Payables from Exchange Transactions and Employee Related Cost were retrospectively increased by R4 871.

6) During the preparation of the 2015/16 Annual Financial Statements it was noted that an old Telkom account was never paid before 30 June 2015. Telkom handed ZFM over to an attorney and they outstanding amount of R29 969 was paid during the 2015/16 financial year. Therefore Payables from Exchange Transactions and General Expenses were retrospectively increased by R29 969.

Unspent Conditional Grants and Receipts

1) During the preparation of the 2015/16 Annual Financial Statements it was noted that the Council vehicles used for Housing Accreditation purposes were never expensed to the Housing Accreditation Unspent Grant. Therefore Unspent Conditional Grants were overstated, Other Income were understated, Government Grants and Subsidies Received were understated and Grants and Subsidies Paid were understated by R145 690.

Operating Lease Liability

1) During the preparation of the 2015/16 Annual Financial Statements it was noted that a deposit of R33 000 was incorrectly allocated to rental expenses in the 2014/15 Statement of Financial Performance and was not disclosed a Payment made in Advance. Therefore the difference of R33 000 was retrospectively corrected to increase Receivables from Exchange Transactions on 30 June 2015. It was also noted that rates, taxes, refuse and sewerage of R28 463 were not included in the calculation of the tender value. The deposit of R33 000 was also incorrectly included in the tender register. Therefore the tender value was retrospectively corrected in the Tender Register and Commitments was increased by R28 463 and Operating Lease Liabilities were increased by R2 183.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Employee Benefit Liabilities

1) During the preparation of the 2015/16 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not include In-service employee in the Provision for Post-retirement Health Care Benefits Liability for the prior years. Only retrenched employees were included in the Post-retirement Health Care Benefits Liability valuation for prior years. Therefore on 30 June 2014 Employee Benefits were retrospectively increased by R3 547 838 and Provisions (Short-term portion of Employee Benefits) were retrospectively increased by R246 793. On 30 June 2015 Employee Benefits were retrospectively increased by R929 708, Provisions (Short-term portion of Employee Benefits) were retrospectively decreased by R407 893, Actuarial Gains on Employee Benefits were retrospectively increased by R538 496 and Employee Related Cost were retrospectively increased by R1 060 311.

2) During the preparation of the 2015/16 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not take into account the yearly Long-service Awards after 25 continuous years. Only 5 yearly Long-service awards were taken into account in the Long-service Awards valuation for prior years. Therefore on 30 June 2014 Employee Benefits were retrospectively increased by R1 146 317 and Provisions (Short-term portion of Employee Benefits) were retrospectively increased by R57 059. On 30 June 2015 Employee Benefits were retrospectively increased by R70 902, Provisions (Short-term portion of Employee Benefits) were retrospectively decreased by R18 283, Actuarial Gains were retrospectively increased by R120 861 and Employee Related Cost were retrospectively increased by R210 046.

32.1 Reclassification of Revenue

The effect of the Correction of Error is as follows:

		2014/15 Expenditure	Adjustment	Restated Amount
Revenue from Non-exchange Transactions				
Actuarial Gains on Employee Benefits	Note 15	-	(852 046)	(852 046)
Government Grants and Subsidies Received	Note 17	(52 502 364)	(145 690)	(52 648 054)
Revenue from Exchange Transactions				
Interest Earned - Outstanding Debtors	Note 19	(4 293)	(44 214)	(48 508)
Other Income	Note 20	(594 156)	46 999	(547 157)
		(53 100 812)	(994 951)	(54 095 764)

Nature

Actuarial Gains on Employee Benefits

1) During the preparation of the 2015/16 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not include In-service employee in the Provision for Post-retirement Health Care Benefits Liability for the prior years. Only retrenched employees were included in the Post-retirement Health Care Benefits Liability valuation for prior years. Therefore on 30 June 2014 Employee Benefits were retrospectively increased by R3 547 838 and Provisions (Short-term portion of Employee Benefits) were retrospectively increased by R246 793. On 30 June 2015 Employee Benefits were retrospectively increased by R929 708, Provisions (Short-term portion of Employee Benefits) were retrospectively decreased by R407 893, Actuarial Gains on Employee Benefits were retrospectively increased by R538 496 and Employee Related Cost were retrospectively increased by R1 060 311.

2) During the preparation of the 2015/16 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not take into account the yearly Long-service Awards after 25 continuous years. Only 5 yearly Long-service awards were taken into account in the Long-service Awards valuation for prior years. Therefore on 30 June 2014 Employee Benefits were retrospectively increased by R1 146 317 and Provisions (Short-term portion of Employee Benefits) were retrospectively increased by R57 059. On 30 June 2015 Employee Benefits were retrospectively increased by R70 902, Provisions (Short-term portion of Employee Benefits) were retrospectively decreased by R18 283, Actuarial Gains were retrospectively increased by R120 861 and Employee Related Cost were retrospectively increased by R210 046.

Government Grants and Subsidies Received

1) During the preparation of the 2015/16 Annual Financial Statements it was noted that the Council vehicles used for Housing Accreditation purposes were never expensed to the Housing Accreditation Unspent Grant. Therefore Unspent Conditional Grants were overstated, Other Income were understated, Government Grants and Subsidies Received were understated and Grants and Subsidies Paid were understated by R145 690.

Interest Earned - Outstanding Debtors

1) During the preparation of the 2015/16 Annual Financial Statements it was noted that money was received from SARS for VAT already written off by ZFM in the 2014/15 financial year. Therefore VAT Receivables were retrospectively corrected to increase VAT Receivables and decrease Impairment Losses of R505 421 on 30 June 2015. Interest of R44 214 relating to the 2014/15 financial year was also paid over by SARS and therefore VAT Receivables were also retrospectively corrected on 30 June 2015.

Other Income

1) During the preparation of the 2015/16 Annual Financial Statements it was noted that the Council vehicles used for Housing Accreditation purposes were never expensed to the Housing Accreditation Unspent Grant. Therefore Unspent Conditional Grants were overstated, Other Income were understated, Government Grants and Subsidies Received were understated and Grants and Subsidies Paid were understated by R145 690.

32.2 Reclassification of Expenditure

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the Municipality.

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The effect of the Correction of Error is as follows:

		2014/15 Expenditure	Adjustment	Restated Amount
Employee Related Costs	Note 21	38 692 654	(1 133 072)	39 825 726
Impairment Losses	Note 24	628 727	505 421	123 306
Grants and Subsidies Paid	Note 28	4 010 881	(128 021)	4 138 902
General Expenses	Note 29	10 180 047	111 302	10 068 744
		53 512 309	(644 370)	54 156 679

Nature

Employee Related Costs

1) During the preparation of the 2015/16 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not include In-service employee in the Provision for Post-retirement Health Care Benefits Liability for the prior years. Only retrenched employees were included in the Post-retirement Health Care Benefits Liability valuation for prior years. Therefore on 30 June 2014 Employee Benefits were retrospectively increased by R3 547 838 and Provisions (Short-term portion of Employee Benefits) were retrospectively increased by R246 793. On 30 June 2015 Employee Benefits were retrospectively increased by R929 708, Provisions (Short-term portion of Employee Benefits) were retrospectively decreased by R407 893, Actuarial Gains on Employee Benefits were retrospectively increased by R538 496 and Employee Related Cost were retrospectively increased by R1 060 311.

2) During the preparation of the 2015/16 Annual Financial Statements it was noted that leave balances of employees were incorrectly calculated by the leave system. The leave balance of all employees were reviewed by Human Resources and Internal Audit Unit for the 2014/15 and 2015/16 financial year. Therefore the difference of R124 792 was retrospectively corrected to increase Leave Accrual on 30 June 2014 and the difference of R144 278 was retrospectively corrected to decrease Leave Accrual on 30 June 2015.

3) During the preparation of the 2015/16 Annual Financial Statements it was noted that the outstanding leave balance of Mr W van Wyk was overstated by R5 161 on 30 June 2015. Therefore Payables from Exchange Transactions and Employee Related Cost were decreased retrospectively by R5 161.

4) During the preparation of the 2015/16 Annual Financial Statements it was noted that the outstanding leave balance of Mr R Farmer was understated by R4 871 on 30 June 2015. Therefore Payables from Exchange Transactions and Employee Related Cost were retrospectively increased by R4 871.

5) During the preparation of the 2015/16 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not take into account the yearly Long-service Awards after 25 continuous years. Only 5 yearly Long-service awards were taken into account in the Long-service Awards valuation for prior years. Therefore on 30 June 2014 Employee Benefits were retrospectively increased by R1 146 317 and Provisions (Short-term portion of Employee Benefits) were retrospectively increased by R57 059. On 30 June 2015 Employee Benefits were retrospectively increased by R70 902, Provisions (Short-term portion of Employee Benefits) were retrospectively decreased by R18 283, Actuarial Gains were retrospectively increased by R120 861 and Employee Related Cost were retrospectively increased by R210 046.

6) During the 2015/16 financial year a payment was made to SARS for arrear Skills Development Levies relating to the 2015/02 tax period. Therefore the SARS creditor and SDL expenditure was understated on 30 June 2015 by R6341 and was retrospectively corrected. Interest and penalties to the amount of R211 and R778 were also charged and paid. Therefore Fruitless and Wasteful Expenditures and Payables from Exchange Transactions (Salary Suspense) of R989 were retrospectively corrected for the 2014/15 financial period.

7) During the preparation of the 2015/16 Annual Financials Statements it was noted that the Uniform allowance paid during the 2014/15 financial year was incorrectly allocated to General Expenses on 30 June 2015 and should have been allocated to Employee Related Costs. Therefore General Expenses were decreased by R 944 and Employee Related Costs were retrospectively increased.

Impairment Losses

1) During the preparation of the 2015/16 Annual Financial Statements it was noted that money was received from SARS for VAT already written off by ZFM in the 2014/15 financial year. Therefore VAT Receivables were retrospectively corrected to increase VAT Receivables and decrease Impairment Losses of R505 421 on 30 June 2015. Interest of R44 214 relating to the 2014/15 financial year was also paid over by SARS and therefore VAT Receivables were also retrospectively corrected on 30 June 2015.

Grants and Subsidies Paid

1) During the preparation of the 2015/16 Annual Financial Statements it was noted that the Council vehicles used for Housing Accreditation purposes were never expensed to the Housing Accreditation Unspent Grant. Therefore Unspent Conditional Grants were overstated, Other Income were understated, Government Grants and Subsidies Received were understated and Grants and Subsidies Paid were understated by R145 690.

2) During the preparation of the 2015/16 Annual Financials Statements it was noted that the Projects Council Financing was incorrectly allocated to Grants and Subsidies paid on 30 June 2015 and should have been allocated to General Expenses. Therefore Grants and Subsidies paid were retrospectively decreased and General Expenses increased by R17 669.

General Expenses

1) During the 2015/16 financial year a payment was made to SARS for arrear Skills Development Levies relating to the 2015/02 tax period. Therefore the SARS creditor and SDL expenditure was understated on 30 June 2015 by R6341 and was retrospectively corrected. Interest and penalties to the amount of R211 and R778 were also charged and paid. Therefore Fruitless and Wasteful Expenditures and Payables from Exchange Transactions (Salary Suspense) of R989 were retrospectively corrected for the 2014/15 financial period.

2) During the preparation of the 2015/16 Annual Financial Statements it was noted that the accrual for Compensation Commissioner as at 30 June 2015 was overstated by R128 169. Therefore Payables from Exchange transactions and Compensation Commissioner expenditure were retrospectively decreased by R128 169.

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3) During the preparation of the 2015/16 Annual Financial Statements it was noted that a deposit of R33 000 was incorrectly allocated to rental expenses in the 2014/15 Statement of Financial Performance and was not disclosed as a Payment made in Advance. Therefore the difference of R33 000 was retrospectively corrected to increase Receivables from Exchange Transactions and decrease General Expenses on 30 June 2015. It was also noted that rates, taxes, refuse and sewerage of R28 463 were not included in the calculation of the tender value. The deposit of R33 000 was also incorrectly included in the tender register. Therefore the tender value was retrospectively corrected in the Tender Register and Commitments was increased by R28 463 and Operating Lease Liabilities and General Expenses were increased by R2 183.

4) During the preparation of the 2015/16 Annual Financials Statements it was noted that the Projects Council Financing was incorrectly allocated to Grants and Subsidies paid on 30 June 2015 and should have been allocated to General Expenses. Therefore Grants and Subsidies paid were retrospectively decreased and General Expenses increased by R17 669 .

5) During the preparation of the 2015/16 Annual Financials Statements it was noted that the Uniform allowance paid during the 2014/15 financial year was incorrectly allocated to General Expenses on 30 June 2015 and should have been allocated to Employee Related Costs. Therefore General Expenses were retrospectively decreased and Employee Related Costs were increased by R 944 .

6) During the preparation of the 2015/16 Annual Financial Statements it was noted that an old Telkom account was never paid before 30 June 2015. Telkom handed ZFM over to an attorney and they outstanding amount of R29 969 was paid during the 2015/16 financial year. Therefore Payables from Exchange Transactions and General Expenses were retrospectively increased by R29 969.

32.3 Reclassification of Statement of Financial Position

The prior year balances of items on the Statement of Financial Position have been restated to correctly classify the nature of the balances.

The effect of the Correction of Error is as follows:

	2014/15 Financial Position	Adjustment	Restated Amount
Current Assets			
Receivables from Exchange Transactions	323 915	33 000	356 915
VAT Receivable	482 384	561 306	1 043 690
Current Portion of Long-term Receivables	-	63 573	63 573
Non-Current Assets			
Long-term Receivables	-	417 454	417 454
Current Liabilities			
Provisions	(1 991 097)	85 758	(1 905 339)
Payables from Exchange Transactions	(7 462 882)	(416 900)	(7 879 781)
Unspent Conditional Grants and Receipts	(2 969 902)	145 690	(2 824 212)
Operating Lease Liabilities	(20 581)	(2 183)	(22 764)
Non-Current Liabilities			
Employee Benefit Liabilities	(20 361 375)	(5 694 765)	(26 056 140)
	(31 999 537)	(4 807 067)	(36 806 605)

Nature

Receivables from Exchange Transactions

1) During the preparation of the 2015/16 Annual Financial Statements it was noted that a deposit of R33 000 was incorrectly allocated to rental expenses in the 2014/15 Statement of Financial Performance and was not disclosed as a Payment made in Advance. Therefore the difference of R33 000 was retrospectively corrected to increase Receivables from Exchange Transactions on 30 June 2015. It was also noted that rates, taxes, refuse and sewerage of R28 463 were not included in the calculation of the tender value. The deposit of R33 000 was also incorrectly included in the tender register. Therefore the tender value was retrospectively corrected in the Tender Register and Commitments was increased by R28 463 and Operating Lease Liabilities were increased by R2 183.

VAT Receivables

1) During the preparation of the 2015/16 Annual Financial Statements it was noted that money was received from SARS for VAT already written off by ZFM in the 2014/15 financial year. Therefore VAT Receivables were retrospectively corrected to increase VAT Receivables and decrease Impairment Losses of R505 421 on 30 June 2015. Interest of R44 214 relating to the 2014/15 financial year was also paid over by SARS and therefore VAT Receivables were also retrospectively corrected on 30 June 2015.

2) During the preparation of the 2015/16 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not capture Reimbursed Travel Income on the employees and Councillors' IRP5 certificates for 2012 & 2013 tax assessments. The employees' tax of R368 593 and interest of R112 433 were charged by SARS. The total amount of 481 026 (368 593 + 112 433) was paid by ZFM during 2015/16 financial year on behalf of the employees. ZFM recover this amount from employees over a 3 year period. Therefore Long-term Receivables of R417 453 (R481 026 min R63 573) and Payables from Exchange Transactions (Trade Creditors) of R481 026 were retrospectively corrected on 30 June 2013. The Current Portion of Long-term Receivables of R63 573 was also retrospectively corrected on 30 June 2013.

Penalties were charged by SARS which were paid by ZFM during 2015/16 financial year. Therefore Fruitless and Wasteful Expenditures and Payables from Exchange Transactions (Trade Creditors) of R34 850 were retrospectively corrected for the 2012/13 financial period.

The 2013 tax assessment was incorrectly calculated by SARS and a refund was provided during the 2015/16 financial year. Therefore the difference of R11 671 was retrospectively corrected to increase VAT Receivables and to decrease Long-term Receivables.

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Current Portion of Long-term Receivables

1) During the preparation of the 2015/16 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not capture Reimbursed Travel Income on the employees and Councillors' IRP5 certificates for 2012 & 2013 tax assessments. The employees' tax of R368 593 and interest of R112 433 were charged by SARS. The total amount of 481 026 (368 593 + 112 433) was paid by ZFM during 2015/16 financial year on behalf of the employees. ZFM recover this amount from employees over a 3 year period. Therefore Long-term Receivables and Payables from Exchange Transactions (Trade Creditors) of R417 453 (R481 026 min R63 573) were retrospectively corrected on 30 June 2013. The Current Portion of Long-term Receivables of R63 573 was also retrospectively corrected on 30 June 2013.

Penalties were charged by SARS which were paid by ZFM during 2015/16 financial year. Therefore Fruitless and Wasteful Expenditures and Payables from Exchange Transactions (Trade Creditors) of R34 850 were retrospectively corrected for the 2012/13 financial period.

Long-term Receivables

1) During the preparation of the 2015/16 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not capture Reimbursed Travel Income on the employees and Councillors' IRP5 certificates for 2012 & 2013 tax assessments. The employees' tax of R368 593 and interest of R112 433 were charged by SARS. The total amount of 481 026 (368 593 + 112 433) was paid by ZFM during 2015/16 financial year on behalf of the employees. ZFM recover this amount from employees over a 3 year period. Therefore Long-term Receivables of R417 453 (R481 026 min R63 573) and Payables from Exchange Transactions (Trade Creditors) of R481 026 were retrospectively corrected on 30 June 2013. The Current Portion of Long-term Receivables of R63 573 was also retrospectively corrected on 30 June 2013.

Penalties were charged by SARS which were paid by ZFM during 2015/16 financial year. Therefore Fruitless and Wasteful Expenditures and Payables from Exchange Transactions (Trade Creditors) of R34 850 were retrospectively corrected for the 2012/13 financial period.

The 2013 tax assessment was incorrectly calculated by SARS and a refund was provided during the 2015/16 financial year. Therefore the difference of R11 671 was retrospectively corrected to increase VAT Receivables and to decrease Long-term Receivables.

Provisions

1) During the preparation of the 2015/16 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not include In-service employee in the Provision for Post-retirement Health Care Benefits Liability for the prior years. Only retrenched employees were included in the Post-retirement Health Care Benefits Liability valuation for prior years. Therefore on 30 June 2014 Employee Benefits were retrospectively increased by R3 547 838 and Provisions (Short-term portion of Employee Benefits) were retrospectively increased by R246 793. On 30 June 2015 Employee Benefits were retrospectively increased by R929 708, Provisions (Short-term portion of Employee Benefits) were retrospectively decreased by R407 893, Actuarial Gains on Employee Benefits were retrospectively increased by R538 496 and Employee Related Cost were retrospectively increased by R1 060 311.

2) During the preparation of the 2015/16 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not take into account the yearly Long-service Awards after 25 continuous years. Only 5 yearly Long-service awards were taken into account in the Long-service Awards valuation for prior years. Therefore on 30 June 2014 Employee Benefits were retrospectively increased by R1 146 317 and Provisions (Short-term portion of Employee Benefits) were retrospectively increased by R57 059. On 30 June 2015 Employee Benefits were retrospectively increased by R70 902, Provisions (Short-term portion of Employee Benefits) were retrospectively decreased by R18 283, Actuarial Gains were retrospectively increased by R120 861 and Employee Related Cost were retrospectively increased by R210 046.

Payables from Exchange Transactions

1) During the preparation of the 2015/16 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not capture Reimbursed Travel Income on the employees and Councillors' IRP5 certificates for 2012 & 2013 tax assessments. The employees' tax of R368 593 and interest of R112 433 were charged by SARS. The total amount of 481 026 (368 593 + 112 433) was paid by ZFM during 2015/16 financial year on behalf of the employees. ZFM recover this amount from employees over a 3 year period. Therefore Long-term Receivables of R417 453 (R481 026 min R63 573) and Payables from Exchange Transactions (Trade Creditors) of R481 026 were retrospectively corrected on 30 June 2013. The Current Portion of Long-term Receivables of R63 573 was also retrospectively corrected on 30 June 2013.

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5) During the 2015/16 financial year a payment was made to SARS for arrear Skills Development Levies relating to the 2015/02 tax period. Therefore the SARS creditor and SDL expenditure was understated on 30 June 2015 by R6341 and was retrospectively corrected. Interest and penalties to the amount of R211 and R778 were also charged and paid. Therefore Fruitless and Wasteful Expenditures and Payables from Exchange Transactions (Salary Suspense) of R989 were retrospectively corrected for the 2014/15 financial period.

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6) During the preparation of the 2015/16 Annual Financial Statements it was noted that the accrual for Compensation Commissioner as at 30 June 2015 was overstated by R128 169. Therefore Payables from Exchange transactions and Compensation Commissioner expenditure were retrospectively decreased by R128 169.

7) During the preparation of the 2015/16 Annual Financial Statements it was noted that an old Telkom account was never paid before 30 June 2015. Telkom handed ZFM over to an attorney and they outstanding amount of R29 969 was paid during the 2015/16 financial year. Therefore Payables from Exchange Transactions and General Expenses were retrospectively increased by R29 969.

Unspent Conditional Grants and Receipts

1) During the preparation of the 2015/16 Annual Financial Statements it was noted that the Council vehicles used for Housing Accreditation purposes were never expensed to the Housing Accreditation Unspent Grant. Therefore Unspent Conditional Grants were overstated, Other Income were understated, Government Grants and Subsidies Received were understated and Grants and Subsidies Paid were understated by R145 690.

Operating Lease Liabilities

1) During the preparation of the 2015/16 Annual Financial Statements it was noted that a deposit of R33 000 was incorrectly allocated to rental expenses in the 2014/15 Statement of Financial Performance and was not disclosed a Payment made in Advance. Therefore the difference of R33 000 was retrospectively corrected to increase Receivables from Exchange Transactions on 30 June 2015. It was also noted that rates, taxes, refuse and sewerage of R28 463 were not included in the calculation of the tender value. The deposit of R33 000 was also incorrectly included in the tender register. Therefore the tender value was retrospectively corrected in the Tender Register and Commitments was increased by R28 463 and Operating Lease Liabilities were increased by R2 183.

Employee Benefit Liabilities

1) During the preparation of the 2015/16 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not include In-service employee in the Provision for Post-retirement Health Care Benefits Liability for the prior years. Only retrenched employees were included in the Post-retirement Health Care Benefits Liability valuation for prior years. Therefore on 30 June 2014 Employee Benefits were retrospectively increased by R3 547 838 and Provisions (Short-term portion of Employee Benefits) were retrospectively increased by R246 793. On 30 June 2015 Employee Benefits were retrospectively increased by R929 708, Provisions (Short-term portion of Employee Benefits) were retrospectively decreased by R407 893, Actuarial Gains on Employee Benefits were retrospectively increased by R538 496 and Employee Related Cost were retrospectively increased by R1 060 311.

2) During the preparation of the 2015/16 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not take into account the yearly Long-service Awards after 25 continuous years. Only 5 yearly Long-service awards were taken into account in the Long-service Awards valuation for prior years. Therefore on 30 June 2014 Employee Benefits were retrospectively increased by R1 146 317 and Provisions (Short-term portion of Employee Benefits) were retrospectively increased by R57 059. On 30 June 2015 Employee Benefits were retrospectively increased by R70 902, Provisions (Short-term portion of Employee Benefits) were retrospectively decreased by R18 283, Actuarial Gains were retrospectively increased by R120 861 and Employee Related Cost were retrospectively increased by R210 046.

33 CHANGE IN ACCOUNTING ESTIMATES

33.1 Depreciation Expenditure:

The estimated useful lives and depreciation method were reviewed at 30 June 2016 and no changes were made for the 2015/16 financial year.

Adjustments were made to the remaining useful lives and residual values in the current year and affected the amount of depreciation for the 2015/16 financial year. The adjustments are as follows:

	2016 R	2015 R
Increase / (Decrease) in Depreciation due to adjustments to Residual Values of PPE	(1 577)	-
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of Intangible Assets	(22 627)	-
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	(99 025)	(58 576)
Increase / (Decrease) in Depreciation of PPE	(123 229)	(58 576)
Depreciation as previously stated	751 734	1 051 610
Adjustment due to Change in Accounting Estimate	(123 229)	(58 576)
Depreciation as per Note 23	628 505	993 034

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	2016 R	2015 R
34 CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	(2 610 519)	(4 713 246)
Adjustment for:		
Depreciation and Amortisation	628 505	993 032
Loss / (Gains) on Disposal of Property, Plant and Equipment	(745 297)	107 549
Loss / (Gains) on Write-off of Intangible Assets	-	1 074
Contribution to Employee Benefit Liabilities	3 875 157	2 376 854
Expenditure incurred from Employee Benefit Liabilities	(1 647 152)	(1 846 669)
Contribution to Provisions - Current	541 241	423 593
Expenditure incurred from Provisions - Current	(478 577)	(486 216)
Contribution to Impairment Provision - Receivables from Exchange Transactions	189 723	123 306
Contribution to Impairment Provision - Long-term Receivables	148 381	-
Bad Debts Recovered	-	(505 421)
Impairment Losses Recognised	1 263	505 421
Operating surplus before working capital changes	(97 277)	(3 020 722)
Decrease/(Increase) in Receivables from Exchange Transactions	(964 274)	(346 492)
Decrease/(Increase) in VAT Receivable	1 043 690	(784 666)
Decrease/(Increase) in Current Portion of Finance Lease Receivables	1 144	4 785
Decrease/(Increase) in Current Portion of Long-term Receivables	(64 516)	-
Increase/(Decrease) in Payables from Exchange Transactions	(2 314 104)	2 303 801
Increase/(Decrease) in Taxes and Transfers Payable	2 959 680	(1 689 094)
Increase/(Decrease) in Conditional Grants and Receipts	(217 542)	1 980 946
Increase/(Decrease) in VAT Payable	97 831	-
Increase/(Decrease) in Operating Lease Liabilities	31 392	22 764
Cash generated by / (utilised in) Operations	476 025	(1 528 678)

35 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

35.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	-	257 015
Unauthorised Expenditure current year (refer to detail below)	-	2 565 706
Unauthorised Expenditure identified in current year relating to prior year (refer to detail below)	-	637 464
Expenditure investigated and approved by Council	-	(3 460 185)
Unauthorised Expenditure awaiting authorisation	-	-

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted Expenditure votes exceeded:-</i>	
- Executive and Council - R0 (2015: R675 682)	Condoned by Council
- Budget and Treasury Office - R0 (2015: R0)	Condoned by Council
- Corporate Services - R0 (2015: R2 527 489)	Condoned by Council
- Technical Services - R0 (2015: R0)	Condoned by Council

Unauthorised Expenditure for 2014/15:

The main reasons for the unauthorised expenditure:

- 1) ZFM did not budget for any Impairment Losses of R123 306 during the financial year.
- 2) ZFM incorrectly understated Employee Related Cost during the budget processes.

The additional 2014/15 Unauthorised Expenditures identified during current year was due to Correction of Errors made in the 2015/16 financial year.

	2016 R	2015 R
35.2 Fruitless and Wasteful Expenditure		
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	178 970	17 491
Fruitless and Wasteful Expenditure current year	27 413	200 687
Fruitless and Wasteful Expenditure identified in current year relating to prior years	241 360	-
Expenditure investigated and approved by Council	-	(39 208)
To be recovered – Long-term Receivables (refer Note 8)	(112 433)	-
Fruitless and Wasteful Expenditure awaiting condonement	335 309	178 970

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Fruitless and Wasteful Expenditure summary for 2015/16 financial year.:

Incident	Disciplinary Steps	Amount
Payment made to De Klerk van Gend Attorneys during 2015/16 financial year as a final payment to close the court case relating to late PAYE Contributions.	Awaiting final investigation by Committee	3 916
Interest charged on Telkom accounts received until 3 February 2016. Debit orders were implemented to prevent reoccurrences.	Awaiting final investigation by Committee.	1 501
An advertisement was place twice in the Gemsbok Newsletter relating to SPLUM legislative requirements.	Awaiting final investigation by Committee	1 003
A payment was made to SARS for arrear Skills Development Levies relating to the 2016/02 tax period. Interest and penalties to the amount of R140 were charged and paid.	Awaiting final investigation by Committee	140
Compensation Commissioner: Payments were made in respect of medical and travel costs for employees who suffered injury on duty even though the injury occurred more than two years prior to the expenditure being incurred.	Awaiting final investigation by Committee	20 852
Relates to prior years:		
A payment was made to SARS for arrear Skills Development Levies relating to the 2015/02 tax period. Interest and penalties to the amount of R211 and R778 were charged and paid.	Awaiting final investigation by Committee	989
ZF Mgcawu District Municipality did not capture Reimbursed Travel Income on the employees and Councillors' IRP5 certificates for 2012 & 2013 tax assessments. Penalties (R37 716 - R857) were charged by SARS which were paid by ZFM during 2015/16 financial year. An amount of R2 009 was not billed (including the refund amount) by SARS with the 2015/16 payment and was deducted from the initial penalty.	Awaiting final investigation by Committee	34 850
ZF Mgcawu District Municipality did not capture Reimbursed Travel Income on the employees and Councillors' IRP5 certificates for 2012 & 2013 tax assessments. Interest was charged by SARS which were paid by ZFM during 2015/16 financial year but will be recovered from employees. Refer to Long-Term Debtors Note 8	To be recovered – Long-term Receivables (refer Note 8)	112 433
Compensation Commissioner: According to the 2015/16 settlement agreement penalties and interest were charged on the outstanding amount of the Compensation Fund.	Awaiting final investigation by Committee	93 088
Total:		268 773

Fruitless and Wasteful Expenditure summary for 2014/15 financial year.:

Incident	Disciplinary Steps	Amount
Payment into incorrect bank account: Documentation was received by ZFM to change the banking details of Usentra (Edms) Bpk but ZFM did not confirm this with Usentra (Edms) Bpk. Usentra (Edms) Bpk informed ZFM that they did not receive the rental for April 2015. After investigation by ZFM it was evident that the documentation received by ZFM was fabricated and that the money was paid to another person's bank account and withdrawn by the person on the same day. This was reported to the South African Police Services for further investigation.	Awaiting investigation results from the South African Police Service and ABSA.	56 043
Payment made to De Klerk van Gend attorneys for not submitting information before a due date set by the court.	Investigated and no disciplinary steps to be taken by Council	8 597
Interest charged on old Telkom accounts received during 2014/15 financial year.	Investigated and no disciplinary steps to be taken by Council	6 934
Interest charged on old Khara Hais Municipal accounts received during 2014/15 financial year.	Investigated and no disciplinary steps to be taken by Council	6 186
Compensation Commissioner: Payments were made in respect of medical and travel costs for employees who suffered injury on duty even though the injury occurred more than two years prior to the expenditure being incurred.	Awaiting final investigation by Committee	122 927
Total:		200 687

2016	2015
R	R

35.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	4 328 996	3 959 783
Irregular Expenditure current year	-	369 213
Expenditure investigated, approved and condoned by Council	-	-
To be recovered – contingent asset (see Note 42)	-	-
Irregular Expenditure awaiting condonement from National Treasury	4 328 996	4 328 996

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Condonement of Irregular expenses:

In terms of section 170 of the MFMA, only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. The municipal Council therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations. ZFM District Municipality has investigated all irregular expenditures and no official was liable for these expenses after the investigation. Therefore a debt cannot be created. Each instance and reason for the items that lead to irregular expenditure were, after investigation, presented to Council. Council agreed with ZFM that no person or entity should be held liable for the irregular expenditure that was incurred. The municipality is now busy with the condonement process with National Treasury to condone these irregular expenses.

There were no Irregular Expenditure for the 2015/16 financial year.

Irregular Expenditure summary for 2014/15 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount
Managers directly accountable to the Municipal Manager exceeded the acting periods in terms of Section 56(1)(a)(ii) of Local Government: Municipal Systems Act. - P Beukes: Irregular acting period (January 2015 to April 2015) based on total remuneration package as his 5 year contract has ended. - J van Wyk: Irregular acting period (July 2014, October 2014 to December 2014) based on acting allowance.	ZFM District Municipality has investigated the incident and no official was liable for these expenses.	369 213

36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

36.1 Contributions to organised local government - SALGA

	2016 R	2015 R
Opening Balance	-	-
Council Subscriptions	500 000	500 000
Amount Paid - current year	(500 000)	(500 000)
Balance Unpaid (included in Creditors)	-	-

36.2 Audit Fees

Opening Balance	31 640	-
Current year Audit Fee (VAT excluded)	2 112 926	2 107 290
Amount Paid - current year (VAT excluded)	(2 144 566)	(2 075 650)
Balance Unpaid (included in Creditors)	-	31 640

36.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 3. All VAT returns have been submitted by the due date throughout the year.

36.4 PAYE, Skills Development Levy and UIF

Opening Balance	648 733	472 101
Current year Payroll Deductions	6 858 497	6 569 839
Amount Paid - current year	(6 188 542)	(5 921 106)
Amount Paid - previous years	(648 733)	(472 101)
Balance Unpaid (included in Creditors)	669 955	648 733

36.5 Pension and Medical Aid Deductions

Opening Balance	636 362	649 322
Current year Payroll Deductions and Council Contributions	8 675 023	8 070 506
Amount Paid - current year	(7 946 672)	(7 434 144)
Amount Paid - previous years	(636 362)	(649 322)
Balance Unpaid (included in Creditors)	728 351	636 362

36.6 Councillor's arrear Consumer Accounts

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

36.7 Non-Compliance of the Municipal Finance Management Act

No known matters existed at reporting date.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

36.8 Non-Compliance of the Municipal Systems Act

No non-compliance occurred in the 2015/16 financial year.

During 2014/15 financial year the following non-compliance occurred:

Managers directly accountable to the Municipal Manager exceeded the acting periods in terms of Section 56(1)(a)(ii) of Local Government: Municipal Systems Act.

- P Beukes: Exceeded the Director: Financial Services' acting period from January 2015 to April 2015.

- J van Wyk: Exceeded the Director: Technical Support' acting period during July 2014 and October 2014 to December 2014.

36.9 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.

Deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were submitted to Council quarterly, which condoned the various cases.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Successful Tenderer	Occasions	Reason	Amount
CORPORATE SERVICES	Various	3	Impractical to obtain 3 quotations	38 239
	Various	3	Emergency	24 911
	Various	11	Impractical for procurement processes	168 792
	Various	12	Single provider only	312 903
29 Occasions during the year amounts to R544 845				
FINANCIAL SERVICES	University	1	Emergency	135 000
	Various	9	Impractical for procurement processes	152 871
	Various	5	Single provider only	67 856
15 Occasions during the year amounts to R355 727				
MAYOR'S OFFICE	KSC	1	Impractical to obtain 3 quotations	8 000
	Various	14	Impractical for procurement processes	48 751
15 Occasions during the year amounts to R56 751				
TECHNICAL SERVICES	Various	2	Impractical for procurement processes	24 820
	Various	2	Single provider only	2 169
4 Occasions during the year amounts to R26 989				
MUNICIPAL MANAGER	Various	2	Impractical for procurement processes	30 140
	Various	8	Single provider only	86 977
10 Occasions during the year amounts to R117 117				
Total:				1 101 429

36.10 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

The Electricity and Water functions were transferred to the local municipalities. Thus no material Electricity and Water Losses occurred.

37 COMMITMENTS FOR EXPENDITURE

37.1 Capital Commitments

The municipality had no capital commitments at year-end.

37.2 Other Commitments

- Approved and Contracted for:-

General Voice Equipment

Office Space Rentals

Insurance Contract

Housing Sector Plan

Rural Roads Asset Manage Systems

Outstanding orders

- Approved but Not Yet Contracted for:-

Other

Total Capital Commitments

This expenditure will be financed from:

Government Grants

Own Resources

	2016 R	2015 R
6 676 673	5 023 927	
1 682 018	2 227 539	
1 052 722	1 614 383	
498 818	734 219	
-	398 430	
3 363 267	-	
79 848	49 356	
-	-	
-	-	
6 676 673	5 023 927	
3 363 267	398 430	
3 313 406	4 625 497	
6 676 673	5 023 927	

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

General Voice Equipment:

The Municipality has an agreement with URB Klank & Beeld to rent and maintenance a telephone system from 1 August 2014 to 31 July 2019. There are no annual escalations and the total tender value of R2 727 600 (incl. VAT) was awarded in February 2014 .

On 30 June 2016 the outstanding commitment to URB Klank and Beeld was R1 682 018 (incl. VAT). URB Klank & Beeld was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

Office Space Rentals:

The Municipality has a lease agreement with Ancorley Gebou (Edms) Bpk to rent office space from 1 February 2015 to 31 January 2018. There are annual escalations which are included in the total tender value of R1 892 019 (incl. VAT). The tender was awarded in July 2014 .

On 30 June 2016 the outstanding commitment to Ancorley Gebou (Edms) Bpk was R1 052 722 (incl. VAT). Ancorley Gebou (Edms) Bpk was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

During the preparation of the 2015/16 Annual Financial Statements it was noted that rates, taxes, refuse and sewerage of R28 463 were not included in the calculation of the tender value. A deposit of R33 000 was also incorrectly included in the tender register. Therefore the tender value was retrospectively corrected in the Tender Register which affected the prior years Commitment and Payments made in Advance under Trade Receivables from Exchange Transactions.

Insurance Contract:

The Municipality has a contract with AON to insure all municipal assets from 1 July 2015 to 30 June 2018. There are annual escalations which are included in the total tender value of R734 219 (incl. VAT). The tender was awarded in June 2015 .

On 30 June 2016 the outstanding commitment to AON was R498 818 (incl. VAT). AON was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

Housing Sector Plan:

The Municipality has an agreement with Aga Mzansi Technical to compile a housing sector plan for the 2015/16 financial year. There are no annual escalations and the total tender value of R398 430 (incl. VAT) was awarded in March 2015 .On 30 June 2016 the outstanding commitment to Aga Mzansi Technical was zero as the tender was completed during the 2015/16 financial year. Aga Mzansi Technical was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

Rural Roads Asset Manage Systems:

The Municipality has awarded a tender to Royal Haksoning to render implementation and management of the rural roads assets for the 2015/16 and 2016/17 financial years as per Government Gazette. There are no annual escalations and the total tender value of R4 067 976 (incl. VAT) was awarded in April 2016 .

On 30 June 2016 the outstanding commitment to Royal Haksoning was R3 363 267 (incl. VAT). Royal Haksoning was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

The Municipality has not yet advertised the tender for the 2016/17, 2017/18 and 2018/19 financial years. The amounts that are available for these years according to the Government Gazette is R8 469 000 and will be disclosed as Commitments once the tenders are awarded.

Outstanding Orders:

The Municipality has outstanding orders at year-end for services and goods not yet delivered. Therefore the municipality has a commitment with suppliers to render these services or goods after year-end which amounts to R79 848 (30 June 2015: R49 356).

38 FINANCIAL INSTRUMENTS

38.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

		2016 R	2015 R
	<u>Financial Assets</u>		
	<u>Classification</u>		
Non-Current Assets			
Finance Lease Receivables	Amortised cost	51 428	80 489
Long-Term Receivables	Amortised cost	140 984	417 454
Receivables from Exchange Transactions			
Other Receivables	Amortised cost	1 131 465	356 915

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Cash and Cash Equivalents

Call Deposits	Amortised cost	2 674 481	2 398
Bank Balances	Amortised cost	1 027 353	90 695
Cash Floats and Advances	Financial Assets at Fair Value	13 865	11 901

Current Portion of Long-term Receivables

Finance Lease Receivables	Amortised cost	3 338	4 482
Long-Term Receivables	Amortised cost	128 089	63 573

SUMMARY OF FINANCIAL ASSETS

Financial Assets at Amortised Cost:

Finance Lease Receivables	Housing Selling Scheme Loans	51 428	80 489
Long-term Receivables	Debtors Capitalised Loans	140 984	417 454
Receivables from Exchange Transactions	Other Debtors	1 131 465	356 915
Cash and Cash Equivalents	Call Deposits	2 674 481	2 398
Cash and Cash Equivalents	Bank Balances	1 027 353	90 695
Current Portion of Finance Lease Receivables	Housing Selling Scheme Loans	3 338	4 482
Current Portion of Long-term Receivables	Debtors Capitalised Loans	128 089	63 573
		5 157 138	1 016 006

Financial Assets at Fair Value:

Cash and Cash Equivalents	Cash Floats and Advances	13 865	11 901
		13 865	11 901
Total Financial Assets		5 171 004	1 027 907

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Amortised cost	-	104 410
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	3 390 439	5 991 901
Staff Leave Accrued	Amortised cost	1 600 629	1 493 563
Retentions	Amortised cost	297 476	297 476
Suspense Accounts - Support	Amortised cost	277 133	96 842
Taxes and Transfers Payable			
Suspense Accounts - Kgotso Pula Nala Project	Amortised cost	2 936 226	-
Suspense Account - Health & Aids Project	Amortised cost	23 454	-
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	102 157	474 901

SUMMARY OF FINANCIAL LIABILITIES

Financial Liabilities at Amortised Cost:

Long-term Liabilities	Annuity Loans	-	104 410
Payables from Exchange Transactions	Trade Creditors	3 390 439	5 991 901
Payables from Exchange Transactions	Suspense Accounts - Support	277 133	96 842
Payables from Exchange Transactions	Retentions	297 476	297 476
Payables from Exchange Transactions	Staff Leave Accrued	1 600 629	1 493 563
Taxes and Transfers Payable	Suspense Acc. - Kgotso Pula Nala Project	2 936 226	-
Taxes and Transfers Payable	Other Creditors	23 454	-
Current Portion of Long-term Liabilities	Annuity Loans	102 157	474 901
Total Financial Liabilities		8 627 514	8 459 092

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

38.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and Short-term Investments

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2016, as a result of the short-term maturity of these assets and liabilities.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2016		30 June 2015	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Measured at Amortised Cost:	5 157 138	5 157 138	1 016 006	1 016 006
Finance Lease Receivables	51 428	51 428	80 489	80 489
Long-term Receivables	140 984	140 984	417 454	417 454
Call Deposits	2 674 481	2 674 481	2 398	2 398
Bank Balances and Cash	1 027 353	1 027 353	90 695	90 695
Trade Receivables from Exchange Transactions	1 131 465	1 131 465	356 915	356 915
Current Portion of Long-term Receivables	131 426	131 426	68 055	68 055
Measured at Fair Value	13 865	13 865	11 901	11 901
Cash Floats and Advances	13 865	13 865	11 901	11 901
Total Financial Assets	5 171 004	5 171 004	1 027 907	1 027 907
FINANCIAL LIABILITIES				
Measured at Amortised Cost:	8 627 514	8 627 514	8 459 092	8 459 092
Annuity Loans	0	0	104 410	104 410
Payables from Exchange Transactions	5 565 677	5 565 677	7 879 781	7 879 781
Taxes and Transfers Payable	2 959 680	2 959 680	-	-
Current Portion of Long-term Liabilities	102 157	102 157	474 901	474 901
Total Financial Instruments	(3 456 510)	(3 456 510)	(7 431 185)	(7 431 185)
Unrecognised Gain / (Loss)		-		-

No Financial Instruments of the municipality have been reclassified during the year.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2016

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash Floats and Advances	13 865	-	-	13 865
Total Financial Assets	<u>13 865</u>	<u>-</u>	<u>-</u>	<u>13 865</u>
	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
No Financial Liabilities at Fair Value	-	-	-	-
Total Financial Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	
Total Financial Instruments	<u>13 865</u>	<u>-</u>	<u>-</u>	<u>13 865</u>

30 June 2015

FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash Floats and Advances	11 901	-	-	11 901
Total Financial Assets	<u>11 901</u>	<u>-</u>	<u>-</u>	<u>11 901</u>
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
No Financial Liabilities at Fair Value	-	-	-	-
Total Financial Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	
Total Financial Instruments	<u>11 901</u>	<u>-</u>	<u>-</u>	<u>11 901</u>

38.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities, Accumulated Surplus and the Statement of Changes in Net Assets.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Gearing Ratio

The municipality considers the cost of capital and the risks associated with each class of capital. The Municipality do not borrow money for any operational activities.

	2016 R	2015 R
The gearing ratio at the year-end was as follows:		
Debt	102 157	579 311
Cash and Cash Equivalents	(3 715 700)	(104 995)
Net Debt / (Cash Available)	<u>(3 613 543)</u>	<u>474 316</u>
Equity	<u>(15 767 767)</u>	<u>(13 157 247)</u>
Net debt to equity ratio	<u>(22.92%)</u>	<u>3.60%</u>

Debt is defined as Long- and Short-term Liabilities, as detailed in Notes 14.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

38.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

38.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

38.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

38.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

38.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, Finance Lease Receivable and loan payables. The Entity is not exposed to interest rate risk on these financial instruments, as the rates applicable are fixed interest rates.

Interest Rate Sensitivity Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date.

		2016	2015
		R	R
Interest received			
Interest Earned - Outstanding Debtors (Excluding VAT Receivable interest)		4 034	4 293
Interest Earned - External Investments		531 966	305 804
		<u><u>536 000</u></u>	<u><u>310 097</u></u>
Average Interest rate		<u><u>5.36%</u></u>	<u><u>3.51%</u></u>
Effect of a change in interest rate on interest received:			
Effect of change in interest rate	%	1%	1%
Effect of change in interest rate	Rand value	99 909	88 301
		<u><u>99 909</u></u>	<u><u>88 301</u></u>
Effect of change in interest rate	%	2%	2%
Effect of change in interest rate	Rand value	199 819	176 602
		<u><u>199 819</u></u>	<u><u>176 602</u></u>
<u>Financial Liabilities</u>	<u>Classification</u>		
Interest paid			
Long-term Liabilities		<u><u>34 090</u></u>	<u><u>119 551</u></u>
Interest rate %		<u><u>10%</u></u>	<u><u>10%</u></u>
Effect of a change in interest rate on interest paid:			
Effect of change in interest rate	%	1%	1%
Effect of change in interest rate	Rand value	3 409	11 955
		<u><u>3 409</u></u>	<u><u>11 955</u></u>
Effect of change in interest rate	%	2%	2%
Effect of change in interest rate	Rand value	6 818	23 910
		<u><u>6 818</u></u>	<u><u>23 910</u></u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

38.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an International accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the municipality is not exposure to any significant credit risk.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors were transferred to the Local Municipalities.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a small number of trade debtors, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

	2016	2015
	R	R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Finance Lease Receivables	51 428	80 489
Receivables from Exchange Transactions	1 444 495	480 221
Bank, Cash and Cash Equivalents	3 715 700	104 995
Maximum Credit and Interest Risk Exposure	5 211 623	665 705

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

38 FINANCIAL INSTRUMENTS (Continued)

38.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Included in Note 42 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts. Interest payable is linked to the prime interest rate.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Financial Liabilities

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
		%	R	R	R	R		R
30 June 2016								
Non-interest Bearing		0.00%	8 525 357	8 525 357	-	-	-	-
- Payables from Exchange Transactions	10		5 565 677	5 565 677	-	-	-	-
Fixed Interest Rate Instruments		10.00%	102 157	-	102 157	0	-	-
- DBSA	14		102 157	-	102 157	0	-	-
		10.00%	8 627 514	8 525 357	102 157	0	-	-
30 June 2015								
Non-interest Bearing		0.00%	7 879 781	7 879 781	-	-	-	-
- Payables from Exchange Transactions	10		7 879 781	7 879 781	-	-	-	-
- Taxes and Transfers Payable	11		-	-	-	-	-	-
Fixed Interest Rate Instruments		10.00%	579 311	-	474 901	104 410	-	-
- DBSA			579 311	-	474 901	104 410	-	-
		10.00%	8 459 092	7 879 781	474 901	104 410	-	-

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Financial Assets

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
		%	R	R	R	R		R
30 June 2016								
Non-interest Bearing		0.00%	1 400 538	1 400 538	-	-	-	-
- Trade Receivables from Exchange Transactions	3		1 131 465	1 131 465	-	-	-	-
Variable Interest Rate Instruments		5.37%	3 715 700	3 715 700	-	-	-	-
- Call Deposits	6	6.50%	2 674 481	2 674 481	-	-	-	-
- Petty Cash	6	0.12%	13 865	13 865	-	-	-	-
- Bank Account	6	2.50%	1 027 353	1 027 353	-	-	-	-
Fixed Interest Rate Instruments		5.00%	54 766	54 766	-	-	-	-
- Finance Lease Receivables	9		54 766	54 766	-	-	-	-
		5.36%	5 171 004	5 171 004	-	-	-	-
30 June 2015								
Non-interest Bearing		0.00%	837 941	837 941	-	-	-	-
- Trade Receivables from Exchange Transactions	3		356 915	356 915	-	-	-	-
Variable Interest Rate Instruments		2.31%	104 995	104 995	-	-	-	-
- Call Deposits		5.88%	2 398	2 398	-	-	-	-
- Petty Cash	6	0.12%	11 901	11 901	-	-	-	-
- Bank Account		2.50%	90 695	90 695	-	-	-	-
Fixed Interest Rate Instruments	9	5.00%	84 971	84 971	-	-	-	-
- Finance Lease Receivables			84 971	84 971	-	-	-	-
		3.51%	1 027 907	1 027 907	-	-	-	-

38.9 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

39 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All Councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the Municipality with respect to the retirement benefit plans is to make the specified contributions. Where Councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the Municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R 1 545 710 (2015: R1 587 373) represents contributions payable to these plans by the Municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 30 June 2012.

Defined Benefit Scheme

The contribution rate payable under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2012 disclosed an actuarial valuation amounting to R3 014 878 (2011: R2 971 150) million, with a net accumulated deficit of R18 287 (2011: R58 935) million, with a funding level of 99.4% (2011: 104.1%).

Defined Contribution Scheme

The actuarial valuation report at 30 June 2012 indicated that the defined contribution scheme of the fund is in a sound financial position, with assets amounting to R 421 900 (2011: R386 570) million, net investment reserve of R21 231 (2011: R15 285) million and a funding level of 105.3% (2011: 104.1%).

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R10 775 599 and R546 059 (30 June 2011: R9 930,837 in total) million, with funding levels of 99.9% and 108% (2011: 100.3% and 116.9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7.50%) and the municipalities (19.50%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

The scheme is subject to an annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 30 June 2011.

The interim valuation performed as at 30 June 2011 revealed that the assets of the fund amounted to R1 041 (30 June 2010: R1 483) million. The contribution rate paid by the members (13.75%) and the municipalities (15.00%) is sufficient to fund the benefits accruing from the fund in the future.

National Fund for Municipal Workers - Provident Fund:

The scheme is subject to a tri-annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 30 June 2008.

The net assets available for benefits were R2 456 (2005: R1 511) million.

The statutory valuation performed as at 30 June 2008 revealed that the fund had a deficit of R0 (30 June 2005: R0), with a funding level of 100% (30 June 2007: 100%). Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

40 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

40.1 Interest of Related Parties

Councillors and/or Management of the Municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
G. Van Staden	Mayor	Director at Upington Convenience Centre (Pty)Ltd Director at SA Soutwerke (Pty) Ltd Director at Upington Super Salt (Pty) Ltd Director at Kwari Ya Letswei (Pty) Ltd Director at Gold Tune Trading 30 (Pty) Ltd
A Vosloo	Mayor	Member at Ditsa Da Ra Properties Director at Khethabele Enterprise Director at Perspective HR Solutions
J Joseph	Councillor	Director at Dassiekop Agricultural Co-operative
K Esau	Councillor	Director at Siyanda Economics Development
G.H. Mothibi	Councillor	Director at Tsantsabane Social and Labour Development Forum Director at Northern Cape Mining Logistics and Services (Pty) Ltd
E. Mnyaka	Councillor	Director at Rosedale Skills Development and Innovation
H. Combrinck	Middle Manager	Director at Kalahari Kuierfees
B.Van Kratenburg	Middle Manager	Director at BMD trading (Pty) Ltd
J.Van Wyk	Middle Manager	Director at JVW Group (Pty) Ltd

The following Councillors and/or Management of the Municipality was in businesses but resigned from the business:

Name of Related Person	Designation	Description of Related Party Relationship
G. Van Staden	Mayor	Member of Rainbow Moon Trading 25 Member of Upgro Local Business Service Centre
A Vosloo	Mayor	Director at Kiesie Production Director at Minasu Technologies Director at Willoo Development Director at White Mountain
H. Combrinck	Middle Manager	Member of Tumelo Youth Farm CC

The following Councillors and/or Management of the Municipality have no relationships with businesses:

Name of Related Person	Designation	Description of Related Party Relationship
BM Bock	Councillor	No relationship with businesses
P Sinxeve	Councillor	No relationship with businesses
AM Isaacs	Councillor	No relationship with businesses
M Maolosi	Councillor	No relationship with businesses
C Tieties	Councillor	No relationship with businesses
DZ Ntlanganiso	Councillor	No relationship with businesses
J Assegaai	Councillor	No relationship with businesses
M Mabilo	Councillor	No relationship with businesses
KW Dodds	Councillor	No relationship with businesses
M Oliphant	Councillor	No relationship with businesses
P Wetbooi	Councillor	No relationship with businesses
PM Kotze	Councillor	No relationship with businesses
PM Mgcera	Councillor	No relationship with businesses
AM Van Wyk	Councillor	No relationship with businesses
SA May	Councillor	No relationship with businesses
A De Bruin	Councillor	No relationship with businesses
P. Beukes	Director	No relationship with businesses
D.J.Van Zyl	Director	No relationship with businesses
A. Kitching	Middle Manager	No relationship with businesses
S. Titus	Middle Manager	No relationship with businesses
D. Lekanyane	Middle Manager	No relationship with businesses
F.P. Ruppung	Middle Manager	No relationship with businesses

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Name of Related Person	Designation	Description of Related Party Relationship
P.B. Feris	Middle Manager	No relationship with businesses
G Cloete	Middle Manager	No relationship with businesses
T. Job	Middle Manager	No relationship with businesses
M. Manye	Middle Manager	No relationship with businesses
M. Mathe	Middle Manager	No relationship with businesses
B. Knouwds	Middle Manager	No relationship with businesses
G. Present	Middle Manager	No relationship with businesses
R. Snyders	Middle Manager	No relationship with businesses
E. Van der Westhuizen	Middle Manager	No relationship with businesses
J. Visagie	Middle Manager	No relationship with businesses
C. Malgas	Middle Manager	No relationship with businesses
A. Phete	Middle Manager	No relationship with businesses
P. Montshiwa	Middle Manager	No relationship with businesses
E.R. Britz	Middle Manager	No relationship with businesses
J Willemse	Middle Manager	No relationship with businesses
M Mnganaga	Middle Manager	No relationship with businesses

40.2 Services rendered to Related Parties

The Municipality did not render any services during the year to anyone that can be considered as a related party.

40.3 Loans granted to Related Parties

In terms of the MFMA, the Municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans were granted to Councillors, Management, Staff and Public by ZFM District Municipality.

40.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, to the Annual Financial Statements.

40.5 Purchases from Related Parties

The Municipality did not purchase goods from anyone during the year that can be considered as a related party.

40.6 Related Parties of Spouses

The Municipality performed CIPC checks on spouses of senior- and middle managers during the year to identify related party transactions but none were identified..

	2016 R	2015 R
41 CONTINGENT LIABILITIES		
41.1 Court Proceedings:	186 041	401 041
Government Handbook: Claim against the Municipality handled by Becker, Bergh & More regarding a cancellation of a contract. The attorneys suggested that the matter will be defended as the signatory of the contract had no authority. Possible obligation to the Municipality.	20 000	20 000
April Jacobs: Claim against the Municipality handled by Becker, Bergh & More regarding an unfair dismissal. Commissioner found no unfair dismissal and application for rescission is pending. Possible obligation to the Municipality.	31 041	31 041
Jolene van Wyk: Claim against the Municipality handled by Lulama Lobi Inc regarding a review of an appointment . Possible obligation to the Municipality.	135 000	350 000
42 CONTINGENT ASSETS		
42.1 Insurance Claims:	-	9 800
(i) Lost / Damaged Assets: The Municipality had one claim outstanding against its Insurers on 30 June 2016 for the damaged council vehicle during June 2016. The insurer has confirmed in July 2016 that an amount R701 134 will be paid out to the Municipality. Therefore amount and timing of the receivable was confirmed and thus the amount was disclosed under Receivables from Exchange Transactions.	-	9 800
42.2 Court Proceedings:	43 659	99 323
(i) DV Konstruksie The Municipality is suing DV Konstruksie in respect of a payment made to the contractor for services not delivered by them. There are no prospects for successfully recovering the outstanding debts.	-	55 664
(ii) NASHUA The Municipality is suing NASHUA in respect of monies paid on expired contracts. This will be a magistrate's court matter.	43 659	43 659

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

43 IN-KIND DONATIONS AND ASSISTANCE

The Municipality did not receive any In-kind Donations and Assistance during the year under review.

44 PRIVATE PUBLIC PARTNERSHIPS

The Municipality was not a party to any Private Public Partnerships during the year under review.

45 EVENTS AFTER THE REPORTING DATE

The Municipality had one claim outstanding against its Insurers on 30 June 2016 for the damaged council vehicle during June 2016. The insurer has confirmed in July 2016 that an amount R701 134 will be paid out to the Municipality. Therefore amount and timing of the receivable was confirmed and thus the amount was disclosed under Receivables from Exchange Transactions.

During the 2015/16 financial year the amalgamation/demarcation process of //Khara Hais Local Municipality and Mier Local Municipality has commenced and was finalised and approved by the Minister on 3 August 2016. Therefore ZFM will only have 5 local municipalities under its jurisdiction during the 2016/17 financial year.

On 1 July 2016 the Environmental Health Section of //Khara Hais Local Municipality was transferred to ZF Mgcawu District Municipality. The section is responsible for municipal health services in the entire ZF Mgcawu district.

46 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Estimates (Note 33) and Prior Period Errors (Note 32).

47 MANAGEMENT'S GOING CONCERN ASSESSMENT

Management considered the following matters in relation to the Going Concern position of ZF Mgcawu:

(i) On 31 May 2016 Council adopted the 2016/17 to 2018/19 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) fund the elementary operations of the District Municipality to performs it's legal mandate and reflected that the Budget was cash-backed over the three-year period.

(ii) The Municipality's Budget was subjected to an independent assessment process by Provincial Treasury to assess its cash-backing status and other budgetary key performance indicators. The outcome of the cash back assessment was positive.

(iii) Strict daily cash management processes are embedded in the Municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by regular reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted. Cash flow reporting has been refined by building in cash back figures to portray the net cash flow positions on a daily basis.

(iv) The Municipality developed a cost containment and budget monitoring yardstick in order to measure operational and capital budget performance on a monthly basis. Minimum cash flow challenges are experienced because cash flow projections are compiled for the payment sequences of the equitable share which is our largest portion of operational revenue source. The Municipality obtain a bank overdraft facility of R4.4 million to cover short term cash shortfalls as and when the need arises, but it was not utilised in the reporting period.

(v) The Municipality is in a material sense grant dependent and renders mainly mandatory support to local municipalities in the ZF Mgcawu district. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions are instituted.

(vi) An operational efficiency plan has been develop by Management to ensure that operations are effected in the most cost-effective manner possible whilst still ensuring that quality is not compromised.

(vii) Business plans has been compiled by Management to obtain funds from external parties to increase our revenue resources in order to fund the operations and to render municipal support services to the Local Municipalities in the district.

(viii) All outstanding creditors on 30 June 2016 were included in ZFM's 2016/17 cash management report.

(ix) Management has also developed a strategy on how to reduce Employee Related Cost during the 2015/16 financial year.

Taking the aforementioned into account, Management has prepared the Annual Financial Statements on the Going Concern Basis.

APPENDIX A
ZF MGCAWU DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2015	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2016
	R				R	R	R	R
ANNUITY LOANS								
Annuity Loan: Groblershoop water	729 766	10.00%	9755/102	31/03/2017	194 779	-	(92 622)	102 157
Annuity Loan: Tlhakatlou Sewerage	3 245 000	10.00%	10080/105	31/12/2015	154 121	-	(154 121)	-
Annuity Loan: Boichoko Postmasburg	5 230 000	10.00%	10084/103	31/12/2015	230 412	-	(230 412)	-
Total Annuity Loans	9 204 766				579 311	-	(477 154)	102 157
TOTAL EXTERNAL LOANS	9 204 766				579 311	-	(477 154)	102 157

Annuity Loan: Groblershoop water

Structured unsecured 20 year loan for provision of infrastructure: Groblershoop water Upgrading. Loan is repayable semi-annually in fixed instalments of capital and fixed rate interest.

Annuity Loan: Tlhakatlou Sewerage

Structured unsecured 20 year loan for provision of infrastructure: Tlhakatlou Sewerage Upgrading. Loan is repayable semi-annually in fixed instalments of capital and fixed rate interest.

Annuity Loan: Boichoko Postmasburg

Structured unsecured 20 year loan for provision of infrastructure: Boichoko Postmasburg Upgrading. Loan is repayable semi-annually in fixed instalments of capital and fixed rate interest.

APPENDIX B
ZF MGCAWU DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings											
Land	18 516 000	-	-	(540 000)	17 976 000	-	-	-	-	-	17 976 000
Building	3 716 000	-	-	(1 660 000)	2 056 000	1 021 215	115 316	-	(108 531)	1 028 000	1 028 000
	22 232 000	-	-	(2 200 000)	20 032 000	1 021 215	115 316	-	(108 531)	1 028 000	19 004 000
Other Assets											
Emergency Equipment											
Fire Fighting Equipment	1 800	-	-	-	1 800	1 601	17	-	-	1 618	182
Medical Equipment	12 600	-	-	-	12 600	10 838	262	-	-	11 100	1 500
Furniture and Fittings											
Cabinets and cupboards	336 922	-	(2 772)	-	334 150	253 794	19 625	(2 133)	-	271 286	62 864
Chairs	414 069	839	(16 255)	-	398 652	312 242	21 962	(13 485)	-	320 719	77 933
Furniture	12 164	-	-	-	12 164	2 637	2 190	-	-	4 827	7 338
Other furniture	340 240	-	(9 974)	-	330 266	245 705	22 436	(4 638)	-	263 503	66 763
Tables and desks	504 346	-	(8 400)	-	495 946	369 826	36 977	(6 994)	-	399 809	96 137
Motor Vehicles:											
Motor Cars	1 122 455	195 600	(968 520)	(153 935)	195 600	328 018	20 751	(276 947)	(62 950)	8 872	186 728
Trucks And Bakkies	824 174	-	-	(462 474)	361 700	341 141	37 891	-	(197 858)	181 173	180 527
Office Equipment:											
Computer Hardware	1 528 685	264 248	(101 263)	-	1 691 669	831 723	243 952	(82 482)	-	993 193	698 477
Office Machines & Other	701 349	7 367	(58 137)	-	650 579	589 934	26 219	(47 060)	-	569 093	81 486
Printer, Fax, Copier	125 147	-	-	-	125 147	81 943	10 882	-	-	92 825	32 322
Plant and Equipment:											
Other Equipment	1 391	-	-	-	1 391	310	250	-	-	560	831
Other Plant and Equipment	106 451	-	(500)	-	105 951	82 974	6 931	(450)	-	89 456	16 495
Radio Equipment	25 409	-	-	-	25 409	22 465	317	-	-	22 782	2 627
Security Equipment	139 852	-	-	-	139 852	64 675	17 203	-	-	81 878	57 973
Tractor	233 701	-	-	-	233 701	195 769	6 472	-	-	202 241	31 460
	6 430 754	468 053	(1 165 821)	(616 409)	5 116 577	3 735 595	474 338	(434 189)	(260 808)	3 514 935	1 601 642
Total PPE	28 662 754	468 053	(1 165 821)	(2 816 409)	25 148 577	4 756 809	589 653	(434 189)	(369 339)	4 542 935	20 605 642
Intangible Assets											
Computer Software	407 145	-	-	-	407 145	274 388	38 852	-	-	313 240	93 906
Total Intangible Assets	407 145	-	-	-	407 145	274 388	38 852	-	-	313 240	93 906
Total Asset Register	29 069 899	468 053	(1 165 821)	(2 816 409)	25 555 723	5 031 197	628 505	(434 189)	(369 339)	4 856 175	20 699 548

APPENDIX C
ZF MGCAWU DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2016

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	819 883	23 568	(68 183)	-	775 269	(566 505)	(77 503)	53 330	-	(590 679)	184 590
<i>Council Administration</i>	<i>114 354</i>	<i>11 464</i>	<i>(19 888)</i>	<i>-</i>	<i>105 930</i>	<i>(91 148)</i>	<i>(5 301)</i>	<i>13 444</i>	<i>-</i>	<i>(83 006)</i>	<i>22 925</i>
<i>Council Services</i>	<i>266 097</i>	<i>-</i>	<i>(16 532)</i>	<i>-</i>	<i>249 565</i>	<i>(205 832)</i>	<i>(16 124)</i>	<i>11 279</i>	<i>-</i>	<i>(210 677)</i>	<i>38 888</i>
<i>Internal Audit</i>	<i>133 680</i>	<i>-</i>	<i>(16 805)</i>	<i>-</i>	<i>116 874</i>	<i>(98 430)</i>	<i>(8 414)</i>	<i>15 179</i>	<i>-</i>	<i>(91 665)</i>	<i>25 210</i>
<i>Municipal Manager</i>	<i>293 138</i>	<i>12 104</i>	<i>(14 536)</i>	<i>-</i>	<i>290 707</i>	<i>(166 102)</i>	<i>(44 521)</i>	<i>13 269</i>	<i>-</i>	<i>(197 354)</i>	<i>93 353</i>
<i>Communication & Liaison</i>	<i>8 782</i>	<i>-</i>	<i>(422)</i>	<i>-</i>	<i>8 360</i>	<i>(3 053)</i>	<i>(2 570)</i>	<i>159</i>	<i>-</i>	<i>(5 465)</i>	<i>2 895</i>
<i>Risk Management</i>	<i>3 832</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>3 832</i>	<i>(1 939)</i>	<i>(574)</i>	<i>-</i>	<i>-</i>	<i>(2 513)</i>	<i>1 319</i>
Budget and Treasury Office	2 136 739	196 439	(995 030)	(462 474)	875 674	(1 031 410)	(71 626)	300 764	197 858	(604 414)	271 260
<i>Asset Management Unit</i>	<i>15 241</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>15 241</i>	<i>(10 838)</i>	<i>(2 193)</i>	<i>-</i>	<i>-</i>	<i>(13 031)</i>	<i>2 211</i>
<i>Budget & Treasury Office</i>	<i>21 516</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>21 516</i>	<i>(7 184)</i>	<i>(6 599)</i>	<i>-</i>	<i>-</i>	<i>(13 783)</i>	<i>7 733</i>
<i>Expenditure Unit</i>	<i>231</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>231</i>	<i>(55)</i>	<i>(42)</i>	<i>-</i>	<i>-</i>	<i>(97)</i>	<i>134</i>
<i>Financial Services</i>	<i>661 948</i>	<i>839</i>	<i>(26 510)</i>	<i>-</i>	<i>636 276</i>	<i>(548 343)</i>	<i>(24 973)</i>	<i>23 817</i>	<i>-</i>	<i>(549 498)</i>	<i>86 778</i>
<i>Supply Chain Management</i>	<i>6 809</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>6 809</i>	<i>(3 434)</i>	<i>(2 090)</i>	<i>-</i>	<i>-</i>	<i>(5 524)</i>	<i>1 285</i>
<i>Vehicles</i>	<i>1 430 994</i>	<i>195 600</i>	<i>(968 520)</i>	<i>(462 474)</i>	<i>195 600</i>	<i>(461 556)</i>	<i>(35 731)</i>	<i>276 947</i>	<i>197 858</i>	<i>(22 481)</i>	<i>173 119</i>
Corporate Services	24 870 828	21 146	(50 499)	(2 353 935)	22 487 540	(2 655 847)	(355 618)	39 936	171 480	(2 800 049)	19 687 491
<i>Administration</i>	<i>171 881</i>	<i>-</i>	<i>(3 221)</i>	<i>-</i>	<i>168 660</i>	<i>(144 090)</i>	<i>(5 904)</i>	<i>2 765</i>	<i>-</i>	<i>(147 228)</i>	<i>21 431</i>
<i>Human Resources</i>	<i>680 377</i>	<i>-</i>	<i>(10 072)</i>	<i>(153 935)</i>	<i>516 369</i>	<i>(346 512)</i>	<i>(27 207)</i>	<i>9 028</i>	<i>62 950</i>	<i>(301 741)</i>	<i>214 628</i>
<i>Information Technology</i>	<i>1 402 497</i>	<i>21 146</i>	<i>(5 664)</i>	<i>-</i>	<i>1 417 980</i>	<i>(914 027)</i>	<i>(163 901)</i>	<i>5 021</i>	<i>-</i>	<i>(1 072 906)</i>	<i>345 074</i>
<i>Property Services</i>	<i>22 616 074</i>	<i>-</i>	<i>(31 542)</i>	<i>(2 200 000)</i>	<i>20 384 531</i>	<i>(1 251 219)</i>	<i>(158 606)</i>	<i>23 121</i>	<i>108 531</i>	<i>(1 278 174)</i>	<i>19 106 358</i>
<i>Security Services</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(0)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(0)</i>	<i>(0)</i>
Technical Support	1 242 449	226 900	(52 109)	-	1 417 240	(777 435)	(123 757)	40 159	-	(861 033)	556 207
<i>Community Service Ad</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Disaster Mangement</i>	<i>10 641</i>	<i>-</i>	<i>(924)</i>	<i>-</i>	<i>9 718</i>	<i>(2 949)</i>	<i>(2 761)</i>	<i>306</i>	<i>-</i>	<i>(5 404)</i>	<i>4 314</i>
<i>Engineering Services</i>	<i>428 951</i>	<i>72 000</i>	<i>(14 082)</i>	<i>-</i>	<i>486 870</i>	<i>(350 360)</i>	<i>(26 256)</i>	<i>12 293</i>	<i>-</i>	<i>(364 323)</i>	<i>122 546</i>
<i>Environmental Health</i>	<i>157 174</i>	<i>-</i>	<i>(11 208)</i>	<i>-</i>	<i>145 965</i>	<i>(132 281)</i>	<i>(3 926)</i>	<i>9 407</i>	<i>-</i>	<i>(126 800)</i>	<i>19 165</i>
<i>Housing Accreditation</i>	<i>116 451</i>	<i>9 297</i>	<i>(15 331)</i>	<i>-</i>	<i>110 417</i>	<i>(76 699)</i>	<i>(11 527)</i>	<i>8 642</i>	<i>-</i>	<i>(79 585)</i>	<i>30 832</i>
<i>LED</i>	<i>1 444</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>1 444</i>	<i>(889)</i>	<i>(161)</i>	<i>-</i>	<i>-</i>	<i>(1 050)</i>	<i>394</i>
<i>Technical Support Services</i>	<i>80 712</i>	<i>3 404</i>	<i>-</i>	<i>-</i>	<i>84 116</i>	<i>(67 661)</i>	<i>(2 285)</i>	<i>-</i>	<i>-</i>	<i>(69 947)</i>	<i>14 169</i>
<i>PIMMS</i>	<i>307 563</i>	<i>142 199</i>	<i>(4 256)</i>	<i>-</i>	<i>445 506</i>	<i>(36 282)</i>	<i>(68 444)</i>	<i>3 762</i>	<i>-</i>	<i>(100 965)</i>	<i>344 541</i>
<i>Tourism</i>	<i>139 512</i>	<i>-</i>	<i>(6 308)</i>	<i>-</i>	<i>133 204</i>	<i>(110 314)</i>	<i>(8 396)</i>	<i>5 750</i>	<i>-</i>	<i>(112 960)</i>	<i>20 244</i>
Total	29 069 899	468 053	(1 165 821)	-2 816 409	25 555 723	(5 031 197)	(628 505)	434 189	369 339	(4 856 175)	20 699 548

APPENDIX D
ZF MGCAWU DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

2015 Actual Income	2015 Budgeted Income	2015 Actual Expenditure	2015 Budgeted Expenditure	2015 Surplus/ (Deficit)	Description	Vote Number	2016 Actual Income	2016 Budgeted Income	2016 Actual Expenditure	2016 Budgeted Expenditure	2016 Surplus/ (Deficit)
R	R	R	R	R			R	R	R	R	R
-	-	16 444 327	15 768 645	(16 444 327)	Executive and Council		-	-	16 913 128	17 565 251	(16 913 128)
-	-	2 661 949	2 779 161	(2 661 949)	Council Administration	1009	-	-	2 780 313	2 842 873	(2 780 313)
-	-	5 152 286	4 928 891	(5 152 286)	Council Services	1010	-	-	4 957 963	5 530 465	(4 957 963)
-	-	3 272 918	2 747 346	(3 272 918)	Municipal Manager	1001	-	-	4 092 155	4 077 187	(4 092 155)
-	-	1 963 414	1 978 829	(1 963 414)	Internal Audit	1005	-	-	2 030 767	2 068 291	(2 030 767)
-	-	376 352	410 164	(376 352)	Risk Management	1007	-	-	394 796	405 518	(394 796)
-	-	1 115 006	985 807	(1 115 006)	PMS	1008	-	-	923 853	898 772	(923 853)
-	-	1 902 403	1 938 447	(1 902 403)	Communication & Liaison	1012	-	-	1 733 281	1 742 145	(1 733 281)
49 822 384	54 368 500	12 678 338	12 694 264	37 144 046	Budget and treasury office		53 276 823	58 554 500	12 511 172	13 770 017	40 765 651
-	-	178 217	80 000	(178 217)	Vehicles	1003	-	-	35 731	112 428	(35 731)
1 250 000	1 250 000	4 158 830	4 101 193	(2 908 830)	Financial Services	1020	1 250 000	1 250 000	4 616 751	4 800 709	(3 366 751)
48 568 091	53 118 500	1 642 822	1 503 975	46 925 269	Budget & Treasury Office	1021	52 022 789	57 299 500	1 419 621	1 579 799	50 603 168
-	-	3 681 680	3 804 186	(3 681 680)	Expenditure Unit	1023	-	-	3 600 584	3 940 316	(3 600 584)
-	-	1 223 894	1 202 325	(1 223 894)	Supply Chain Management	1024	-	-	972 588	1 073 764	(972 588)
-	-	1 792 896	2 002 585	(1 792 896)	Asset Management Unit	1025	-	-	1 865 896	2 263 001	(1 865 896)
4 293	-	-	-	4 293	Administration 2	7550	4 034	5 000	-	-	4 034
870 724	50 000	16 416 864	13 889 375	(15 546 140)	Corporate services		179 205	35 000	16 666 416	16 862 371	(16 487 210)
-	-	1 692 891	1 623 247	(1 692 891)	Information Technology	1022	-	-	2 353 208	2 756 624	(2 353 208)
870 724	50 000	6 345 144	4 744 211	(5 474 420)	Human Resources	1046	179 205	35 000	6 672 457	6 615 510	(6 493 252)
-	-	1 269 918	1 225 736	(1 269 918)	Property Services	1048	-	-	1 468 822	1 560 845	(1 468 822)
-	-	5 382 117	4 666 550	(5 382 117)	Administration	1049	-	-	4 495 367	4 492 537	(4 495 367)
-	-	1 726 793	1 629 631	(1 726 793)	Security Services	1050	-	-	1 676 561	1 436 855	(1 676 561)
3 753 054	3 934 000	13 619 879	13 981 883	(9 866 826)	Technical Services		4 949 892	6 377 000	14 925 724	15 676 225	(9 975 832)
502 435	630 000	2 024 489	2 684 454	(1 522 054)	Disaster Mangement	1002	676 527	700 000	1 939 049	2 144 417	(1 262 522)
934 000	934 000	2 183 779	1 914 659	(1 249 779)	PIMMS	1004	980 000	930 000	2 493 499	1 901 262	(1 513 499)
-	-	247 757	448 441	(247 757)	Technical Support Services	1006	-	-	336 771	373 652	(336 771)
-	-	618 211	468 443	(618 211)	Tourism	1014	-	-	536 769	599 724	(536 769)
-	-	528 190	532 620	(528 190)	LED	1015	-	-	563 693	554 137	(563 693)
1 000 000	1 000 000	2 265 449	2 419 257	(1 265 449)	Engineering Services	1030	2 111 094	3 697 000	3 142 343	4 553 220	(1 031 249)
1 316 618	1 370 000	2 869 539	2 730 332	(1 552 921)	Housing Accreditation	1033	1 182 271	1 050 000	3 079 474	2 820 509	(1 897 203)
-	-	2 792 921	2 783 677	(2 792 921)	Environmental Health	1040	-	-	2 834 126	2 729 304	(2 834 126)
-	-	89 544	-	(89 544)	Roadworks	2160	-	-	-	-	-
54 446 161	58 352 500	59 159 407	56 334 167	(4 713 246)	Total		58 405 920	64 966 500	61 016 439	63 873 864	(2 610 519)

APPENDIX E(1)
ZF MGCAWU DISTRICT MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2016

Description	2015/16										2014/15	
	Original Total Budget	Budget Adjustment	Final Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Restated Audited Outcome
REVENUE - STANDARD	R	R	R	R	R	R	R	R	R	R	R	R
Governance and Administration:												
Budget and Treasury Office	57 472 000	1 082 500	58 554 500	-	58 554 500	53 276 823	-	(5 277 677)	90.99	92.70		49 822 384
Corporate Services	35 000	-	35 000	-	35 000	179 205	-	144 205	512.02	512.02		870 724
Community and Public Safety:												
Community and Social Services	3 397 000	300 000	3 697 000	-	3 697 000	2 111 094	-	(1 585 906)	57.10	62.15		1 000 000
Public Safety	700 000	-	700 000	-	700 000	676 527	-	(23 473)	96.65	96.65		502 435
Housing	-	1 050 000	1 050 000	-	1 050 000	1 182 271	-	132 271	112.60	0.00		1 316 618
Economic and Environmental Services:												
Planning and Development	930 000	-	930 000	-	930 000	980 000	-	50 000	105.38	105.38		934 000
Total Revenue - Standard	62 534 000	2 432 500	64 966 500	-	64 966 500	58 405 920	-	(6 560 580)	89.90	93.40	-	54 446 161
EXPENDITURE - STANDARD												
Governance and Administration:												
Executive and Council	15 315 640	924 609	16 240 249	(1 315 915)	14 924 334	14 255 995	-	(668 340)	95.52	93.08		13 426 918
Budget and Treasury Office	12 461 401	1 218 616	13 680 017	90 000	13 770 017	12 511 172	-	(1 258 845)	90.86	100.40		12 678 338
Corporate Services	14 135 195	260 315	14 395 511	2 466 860	16 862 371	16 666 416	-	(195 955)	98.84	117.91		16 416 864
Community and Public Safety:												
Community and Social Services	9 731 742	(770 642)	8 961 100	(839 174)	8 121 926	6 699 941	-	(1 421 985)	82.49	68.85		6 058 805
Public Safety	2 254 379	168 642	2 423 021	(278 604)	2 144 417	1 939 049	-	(205 368)	90.42	86.01		2 024 489
Housing	1 865 131	955 378	2 820 509	0	2 820 509	3 079 474	-	258 965	109.18	165.11		2 869 539
Health	2 892 079	(162 775)	2 729 304	0	2 729 304	2 834 126	-	104 822	103.84	98.00		2 792 921
Economic and Environmental Services:												
Planning and Development	2 259 194	(234 762)	2 024 432	(123 170)	1 901 262	2 493 499	-	592 237	131.15	110.37		2 183 779
Road Transport	-	-	-	-	-	-	-	-	0.00	0.00		89 544
Other:												
Tourism	337 300	262 423	599 723	1	599 724	536 769	-	(62 955)	89.50	159.14		618 211
Intergovernmental & Special Projects	-	-	-	-	-	-	-	-	0.00	0.00		
Total Expenditure - Standard	61 252 061	2 621 803	63 873 864	-	63 873 864	61 016 439	-	(2 857 425)	95.53	99.62	-	59 159 407
Surplus/(Deficit) for the year	1 281 939	(189 303)	1 092 636	-	1 092 636	(2 610 519)	-	(3 703 155)	-	-	-	(4 713 246)

APPENDIX E(2)
ZF MGCAWU DISTRICT MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2016

Description	2015/16										2014/15	
	Original Total Budget	Budget Adjustment	Final Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE												
Vote 1 - Executive and council	-	-	-	-	-	-	-	-	0.00	0.00	-	-
Vote 2 - Budget and treasury office	57 472 000	1 082 500	58 554 500	-	58 554 500	53 276 823	-	(5 277 677)	90.99	92.70	-	49 822 384
Vote 3 - Corporate services	35 000	-	35 000	-	35 000	179 205	-	144 205	512.02	512.02	-	870 724
Vote 4 - Technical Services	5 027 000	1 350 000	6 377 000	-	6 377 000	4 949 892	-	(1 427 108)	77.62	98.47	-	3 753 054
Total Revenue by Vote	62 534 000	2 432 500	64 966 500	-	64 966 500	58 405 920	-	(6 560 580)	89.90	93.40	-	54 446 161
EXPENDITURE BY VOTE												
Vote 1 - Executive and council	15 315 640	924 609	16 240 249	(1 315 915)	14 924 334	14 255 995	-	(668 340)	95.52	93.08	-	13 426 918
Vote 2 - Budget and treasury office	12 461 401	1 218 616	13 680 017	90 000	13 770 017	12 511 172	-	(1 258 845)	90.86	100.40	-	12 678 338
Vote 3 - Corporate services	14 135 195	260 315	14 395 511	2 466 860	16 862 371	16 666 416	-	(195 955)	98.84	117.91	2 565 706	16 416 864
Vote 4 - Technical Services	19 339 824	218 264	19 558 088	(1 240 946)	18 317 142	17 582 857	-	(734 285)	95.99	90.92	637 464	16 637 288
Total Expenditure by Vote	61 252 061	2 621 803	63 873 864	-	63 873 864	61 016 439	-	(2 857 425)	95.53	99.62	3 203 170	59 159 407
Surplus/(Deficit) for the year	1 281 939	(189 303)	1 092 636	-	1 092 636	(2 610 519)	-	(3 703 155)	0.00	0.00	(3 203 170)	(4 713 246)

APPENDIX E(3)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

Description	2015/16										2014/15	
	Original Total Budget	Budget Adjustment	Final Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Restated Audited Outcome
Revenue by Source	R	R	R	R	R	R	R	R	R	R	R	R
Rental of Facilities and Equipment	35 000	(15 000)	20 000	-	20 000	5 905	-	(14 095)	29.52	16.87	-	44 594
Interest Earned - External Investments	350 000	25 000	375 000	-	375 000	531 966	-	156 966	141.86	151.99	-	305 804
Interest Earned - Outstanding Debtors	-	5 000	5 000	-	5 000	24 563	-	19 563	491.26	0.00	-	48 508
Actuarial Gains on Employee Benefits	-	-	-	-	-	31 888	-	31 888	0.00	0.00	-	852 046
Public Contributions	-	-	-	-	-	-	-	-	0.00	0.00	-	-
Transfers Recognised - Operational	56 464 000	1 000 000	57 464 000	-	57 464 000	55 981 542	-	(1 482 458)	97.42	99.15	-	52 648 054
Other Revenue	5 665 000	(212 500)	5 452 500	-	5 452 500	1 084 760	-	(4 367 740)	19.89	19.15	-	547 157
Gains on Disposal of PPE	20 000	1 630 000	1 650 000	-	1 650 000	745 297	-	(904 703)	45.17	3 726.49	-	-
Total Revenue (excluding Capital)	62 534 000	2 432 500	64 966 500	-	64 966 500	58 405 920	-	(6 560 580)	89.90	93.40	-	54 446 161
Expenditure												
Employee Related Costs	40 061 105	614 721	40 675 826	0	40 675 826	41 773 938	-	1 098 112	102.70	104.28	3 079 864	39 825 726
Remuneration of Councillors	3 720 232	(28 022)	3 692 209	(0)	3 692 209	3 289 960	-	(402 249)	89.11	88.43	-	3 190 198
Debtor Impairment	-	125 000	125 000	-	125 000	1 263	-	(123 737)	1	0.00	123 306	-
Depreciation and Asset Impairment	653 218	278 818	932 036	180 000	1 112 036	966 609	-	(145 427)	86.92	147.98	-	1 116 339
Finance Charges	136 250	74 000	210 250	-	210 250	34 959	-	(175 291)	16.63	25.66	-	120 317
Other Materials	933 000	(59 000)	874 000	30 000	904 000	709 122	-	(194 878)	78.44	76.00	-	562 942
Contracted Services	55 000	10 200	65 200	10 000	75 200	28 252	-	(46 948)	37.57	51.37	-	27 615
Transfers and Grants	5 680 160	743 813	6 423 973	(0)	6 423 973	5 223 987	-	(1 199 986)	81.32	91.97	-	4 138 902
Other Expenditure	10 013 096	862 274	10 875 370	(220 000)	10 655 370	8 988 349	-	(1 667 021)	84.36	89.77	-	10 068 744
Total Expenditure	61 252 061	2 621 803	63 873 864	(0)	63 873 864	61 016 439	-	(2 857 425)	95.53	99.62	3 203 170	59 159 407
Surplus/(Deficit)	1 281 939	(189 303)	1 092 636	0	1 092 636	(2 610 519)	-	(3 703 155)	-	0.00	(3 203 170)	(4 713 246)
Transfers Recognised - Capital	-	-	-	-	-	-	-	-	-	0.00	-	-
Surplus/(Deficit) for the Year	1 281 939	(189 303)	1 092 636	0	1 092 636	(2 610 519)	-	(3 703 155)	-	-	(3 203 170)	(4 713 246)

APPENDIX E(4)
ZF MGCAWU DISTRICT MUNICIPALITY

RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2016

Description	2015/16										2014/15	
	Original Total Budget	Budget Adjustment	Final Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Restated Audited Outcome
CAPITAL EXPENDITURE - VOTE	R	R	R	R	R	R	R	R	R	R	R	R
Multi-year Expenditure												
Vote 1 - Executive and Council	-	-	-	-	-	-	-	-	0.00	0.00	-	-
Vote 2 - Budget & Treasury Office	-	-	-	-	-	-	-	-	0.00	0.00	-	-
Vote 3 - Corporate Services	-	-	-	-	-	-	-	-	0.00	0.00	-	-
Vote 4 - Technical Support	-	-	-	-	-	-	-	-	0.00	0.00	-	-
Total Capital Expenditure - Multi-year	-	-	-	-	-	-	-	-	0.00	0.00	-	-
Single-year Expenditure												
Vote 1 - Executive and Council	65 000	114 000	179 000	(150 000)	29 000	23 568	-	(5 432)	81.27	36.26	-	126 820
Vote 2 - Budget & Treasury Office	443 246	(350 246)	93 000	120 000	213 000	196 439	-	(16 561)	92.22	44.32	-	-
Vote 3 - Corporate Services	160 000	(34 400)	125 600	-	125 600	21 146	-	(104 454)	16.84	13.22	-	300 606
Vote 4 - Technical Support	201 438	3 407	204 845	30 000	234 845	226 900	-	(7 945)	96.62	112.64	-	352 734
Total Capital Expenditure - Single-year	869 684	(267 239)	602 445	-	602 445	468 053	-	(134 392)	77.69	53.82	-	780 160
Total Capital Expenditure - Vote	869 684	(267 239)	602 445	-	602 445	468 053	-	(134 392)	77.69	53.82	-	780 160
CAPITAL EXPENDITURE - STANDARD												
Governance and Administration:												
Executive and council	65 000	114 000	179 000	(150 000)	29 000	23 568	-	(5 432)	81.27	36.26	-	126 820
Budget and treasury office	443 246	(350 246)	93 000	120 000	213 000	196 439	-	(16 561)	92.22	44.32	-	-
Corporate services	160 000	(34 400)	125 600	-	125 600	21 146	-	(104 454)	16.84	13.22	-	300 606
Other:												
Other	201 438	3 407	204 845	30 000	234 845	226 900	-	(7 945)	96.62	112.64	-	352 734
Total Capital Expenditure - Standard	869 684	(267 239)	602 445	-	602 445	468 053	-	(134 392)	77.69	53.82	-	780 160
FUNDED BY:												
National Government	-	-	-	-	-	205 792	-	205 792	0.00	0.00	-	383 519
Provincial Government	-	-	-	-	-	47 837	-	47 837	0.00	0.00	-	86 851
Transfers Recognised - Capital	-	-	-	-	-	253 629	-	253 629	0.00	0.00	-	470 370
Borrowing	-	-	-	-	-	-	-	-	0.00	0.00	-	-
Internally Generated Funds	869 684	(267 239)	602 445	-	602 445	214 424	-	(388 021)	35.59	24.66	-	309 791
Total Capital Funding	869 684	(267 239)	602 445	-	602 445	468 053	-	(134 392)	77.69	53.82	-	780 160

APPENDIX E(5)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

Description	2015/16								2014/15
	Original Total Budget	Budget Adjustment	Final Adjustment Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Other Income	5 700 000	(728 250)	4 971 750	4 971 750	1 106 709	(3 865 041)	22.26	19.42	(534 623)
Government - Operating	56 464 000	1 000 000	57 464 000	57 464 000	55 716 163	(1 747 837)	96.96	98.68	54 629 000
Government - Capital	-	-	-	-	47 837	47 837	0.00	0.00	-
Interest	350 000	25 000	375 000	375 000	556 529	181 529	148.41	159.01	354 312
Actuarial Gains on Employee Benefits	-	-	-	-	31 888	31 888	0.00	0.00	852 046
Payments									
Suppliers and Employees	(54 784 840)	1 806 122	(52 978 718)	(52 978 718)	(51 724 154)	1 254 564	97.63	94.41	(52 570 193)
Finance Charges	(134 000)	-	(134 000)	(134 000)	(34 959)	99 041	26.09	26.09	(120 317)
Transfers and Grants	(5 680 160)	(743 813)	(6 423 973)	(6 423 973)	(5 223 987)	1 199 986	81.32	91.97	(4 138 902)
NET CASH FROM / (USED) OPERATING ACTIVITIES	1 915 000	1 359 059	3 274 059	3 274 059	476 025	(2 798 034)	14.54	24.86	(1 528 678)
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on Disposal of PPE	20 000	1 548 500	1 568 500	1 568 500	3 924 000	2 355 500	250.18	19 620.00	3 680
Decrease / (Increase) in Finance Lease Receivables	-	-	-	-	29 061	29 061	0.00	0.00	(2 752)
Decrease / (Increase) in Non-current Investments	-	-	-	-	126 826	126 826	0.00	0.00	-
Payments									
Capital Assets	(870 000)	267 241	(602 759)	(602 759)	(468 053)	134 706	0.00	0.00	(780 158)
NET CASH FROM / (USED) INVESTING ACTIVITIES	(850 000)	1 815 741	965 741	965 741	3 611 834	2 646 093	374.00	0.00	(779 230)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
New Loans raised	-	-	-	-	-	-	0.00	0.00	-
Payments									
Loans repaid	(400 000)	-	(400 000)	(400 000)	(477 154)	(77 154)	0.00	0.00	(894 449)
NET CASH FROM / (USED) FINANCING ACTIVITIES	(400 000)	-	(400 000)	(400 000)	(477 154)	(77 154)	0.00	0.00	(894 449)
NET INCREASE / (DECREASE) IN CASH HELD	(665 000)	(3 174 800)	(3 839 800)	(3 839 800)	(3 610 705)	229 095	0.00	0.00	3 202 358
Cash / Cash Equivalents at the Year begin:	3 860 949	(5 255 954)	(1 395 005)	(1 395 005)	104 995	1 500 000	0.00	2.72	3 307 352
Cash / Cash Equivalents at the Year end:	4 525 949	(2 081 154)	2 444 795	2 444 795	3 715 700	1 270 905	151.98	82.10	104 995

APPENDIX F
ZF MGCAWU DISTRICT MUNICIPALITY

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2016

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld	Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below
		Sept	Dec	March	June	Sept	Dec	March	June			
Municipal Systems Improvement Grant	COGTA - National	930 000	-	-	-	255 622	137 195	107 477	479 706	N/A	N/A	Yes
Financial Management Grant	National Treasury	1 250 000	-	-	-	351 919	241 441	249 919	406 722	N/A	N/A	Yes
Rural Roads Asset Manage Systems Grant	National Treasury	2 397 000	-	-	-	18 648	95 587	76 132	590 221	N/A	N/A	Yes
EPWP Incentive Grant	National Treasury	400 000	300 000	300 000	-	10 606	235 687	67 943	610 919	N/A	N/A	Yes
Disaster Management - Near Project Subsidy	COGHSTA - Provincial	-	-	-	-	34 823	47 619	61 154	195 690	N/A	N/A	Yes
Disaster Management - Fire Equipment Grant	COGHSTA - Provincial	-	-	-	-	73 813	220 813	-9 217	51 831	N/A	N/A	Yes
DRD RVM Sewernetwork	Department Rural Development	-	-	-	-	-	-	-	-	N/A	N/A	Yes
Housing Accreditation DPLG National	COGHSTA - Provincial	-	-	-	-	395 930	173 998	77 865	534 478	N/A	N/A	Yes
Total Grants and Subsidies Received		4 977 000	300 000	300 000	-	1 141 361	1 152 341	631 273	2 869 567			
(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?												

APPENDIX G
ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2016

Incumbent	Basic Salaries	Scares Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to UIF, SDL, Medical and Pension Funds	Acting Allowances	Any Other Benefits	Total Remuneration
	R	R	R	R		R	R	R	R	R	R	R
Mayor												
G. van Staden	183 390	-	-	-		61 130	-	-	2 875	-	-	247 395
A. Vosloo	382 063	-	-	-		127 354	1 336	-	6 239	-	-	516 991
Speaker												
A. Vosloo	78 246	-	-	-		26 082	4 210	-	-	-	-	108 538
P. Wetbooi	305 650	-	-	-		101 883	1 040	-	4 940	-	-	413 513
Executive Committee												
B. Sinxeve	235 626	-	-	-		78 542	20 868	-	3 177	-	-	338 213
G.H. Mothibi	235 626	-	-	-		78 542	20 868	-	3 177	-	-	338 213
P. Wetbooi	77 275	-	-	-		25 758	6 844	-	1 487	-	-	111 365
M. Moalosi	144 649	-	-	-		50 398	15 700	-	3 359	-	-	214 106
A. De Bruin	171 361	-	-	-		57 120	20 868	-	2 360	-	-	251 709
C. Tieties	171 361	-	-	-		57 120	20 868	-	2 360	-	-	251 709
P.M. Kotze	171 361	-	-	-		57 120	20 868	-	2 360	-	-	251 709
Other Councillors												
K. Dodds	15 770	-	-	-	-	5 257	-	-	200	-	-	21 226
M. Oliphant	10 907	-	-	-	-	3 636	-	-	156	-	-	14 698
M. Mabilo	10 907	-	-	-	-	3 636	-	-	139	-	-	14 681
P.M. Mgqera	75 172	-	-	-	-	25 057	-	-	955	-	-	101 184
J. Joseph	-	-	-	-	1 313	-	-	-	-	-	-	1 313
J. Assegaai	-	-	-	-	9 321	-	-	-	-	-	-	9 321
J. Thomas	-	-	-	-	16 647	-	-	-	-	-	-	16 647
S.P. May	-	-	-	-	17 668	-	-	-	-	-	-	17 668
E. Mnyaka	-	-	-	-	16 333	-	-	-	-	-	-	16 333
D.Z. Ntlhanganiso	-	-	-	-	9 236	-	-	-	-	-	-	9 236
B. Bock	-	-	-	-	857	-	-	-	-	-	-	857
A. Isaacs	-	-	-	-	18 978	-	-	-	-	-	-	18 978
A.M. Van Wyk	-	-	-	-	4 356	-	-	-	-	-	-	4 356
Total for Councillors	2 269 362	-	-	-	94 709	758 636	133 469	-	33 785	-	-	3 289 960
Municipal Manager												
E. Ntoba	967 463	-	81 000	204 152	-	652 546	-	-	-	-	-	1 905 161
Director: Financial Services												
P. Beukes (8 months)	269 087	53 817	40 363	109 003	-	203 317	-	10 400	28 461	-	-	714 449
A. Kitching (4 months)	137 273	-	-	-	-	260 245	4 800	5 200	24 709	-	-	432 227
	406 361	53 817	40 363	109 003	-	463 562	4 800	15 600	53 170	-	-	1 146 676
Acting Director: Technical Support												
J. van Wyk (Payout relating to 2014/15)	-	-	-	32 519	-	-	-	-	-	-	-	32 519
G. Mnganga (3 months)	-	-	-	-	-	-	-	-	-	51 015	-	51 015
A. Tieties (5 months)	-	-	-	23 901	-	-	-	-	-	51 015	-	74 916
	-	-	-	56 420	-	-	-	-	-	102 030	-	158 450
Director: Corporate Services												
D. Van Zyl	452 999	-	-	109 003	-	378 211	-	15 600	125 130	-	-	1 080 943
Total for Senior Managers	1 826 822	53 817	121 363	478 577	-	1 494 320	4 800	31 200	178 301	102 030	-	4 291 231
Total for Management	4 096 184	53 817	121 363	478 577		2 252 955	138 269	31 200	212 086	102 030	-	7 581 191

APPENDIX G
ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2015

Incumbent	Basic Salaries	Fees for Services	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contributions to UIF, Medical and Pension Funds	Acting Allowances	Any Other Benefits	Total Remuneration
Mayor	R	R	R	R		R	R	R	R	R	R	R
G. van Staden	538 871	-	-	-		182 166	-	-	8 605	-	-	729 642
Speaker												
Z.S. Mjila	418 414	-	-	-		138 828	-	-	6 279	-	-	563 520
Executive Committee												
B. Sinxeve	222 284	-	-	-		75 143	20 868	-	3 031	-	-	321 327
G.H. Mothibi	222 284	-	-	-		75 143	20 868	-	3 031	-	-	321 327
P. Wetbooi	222 284	-	-	-		75 143	20 868	-	3 031	-	-	321 327
D.L. de Wee	161 661	-	-	-		54 649	20 868	-	2 272	-	-	239 451
C. Tieties	161 661	-	-	-		54 649	20 868	-	2 264	-	-	239 442
P.M. Kotze	161 661	-	-	-		54 649	20 868	-	2 272	-	-	239 451
Other Councillors												
K. Dodds	14 035	-	-	-	-	4 749	-	-	186	-	-	18 970
M. Oliphant	9 853	-	-	-	-	3 284	-	-	184	-	-	13 321
M. Mabilo	9 853	-	-	-	-	3 284	-	-	130	-	-	13 267
P.M. Mgqera	66 898	-	-	-	-	22 634	-	-	898	-	-	90 430
J. Joseph	5 999	-	-	-	5 999	-	-	-	-	-	-	11 998
J. Assegaai	-	-	-	-	5 999	-	-	-	-	-	-	5 999
J. Thomas	-	-	-	-	5 999	-	-	-	-	-	-	5 999
S.P. May	-	-	-	-	11 998	-	-	-	-	-	-	11 998
E. Mnyaka	-	-	-	-	8 570	-	-	-	-	-	-	8 570
D.Z. Ntlhanganiso	-	-	-	-	6 856	-	-	-	-	-	-	6 856
B. Bock	-	-	-	-	5 999	-	-	-	-	-	-	5 999
J Isaacs	-	-	-	-	2 571	-	-	-	-	-	-	2 571
A. Isaacs	-	-	-	-	14 448	-	-	-	-	-	-	14 448
A.M. Van Wyk	-	-	-	-	4 285	-	-	-	-	-	-	4 285
Total for Councillors	2 215 759	-	-	-	72 724	744 323	125 208	-	32 184	-	-	3 190 198
Municipal Manager												
E. Ntoba	961 110	-	-	180 000	-	640 740	-	-	-	-	-	1 781 850
Director: Financial Services												
P. Beukes (10 months)	454 178	-	-	102 072	-	254 209	-	13 000	35 577	-	-	859 035
A. Kitching (2 months)	68 637	-	-	-	-	130 122	2 400	2 600	12 355	-	-	216 114
	522 815	-	-	102 072	-	384 331	2 400	15 600	47 931	-	-	1 075 149
Director: Technical Support												
L.G. Lategan (seconded to Kai Garib)	-	-	-	102 072	-	-	-	-	-	-	-	102 072
J. van Wyk (Acting Director: 6 months)	-	-	-	-	-	-	7 475	-	-	99 641	-	107 116
A. Tieties (Acting Director: 6 months)	-	-	-	-	-	-	7 475	-	-	95 355	-	102 830
	-	-	-	102 072	-	-	14 950	-	-	194 997	-	312 019
Director: Corporate Services												
D. Van Zyl	428 031	-	-	102 072	-	346 294	-	15 600	118 431	-	-	1 010 428
Total for Senior Managers	1 911 956	-	-	486 216	-	1 371 365	17 350	31 200	166 362	194 997	-	4 179 446
Total for Management	4 127 715	-	-	486 216		2 115 688	142 558	31 200	198 546	194 997	-	7 369 643

APPENDIX H

ZF MGCAWU DISTRICT MUNICIPALITY

RATIO ANALYSIS

30 June 2016

RATIO	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	MUNICIPAL COMMENTS
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1. FINANCIAL POSITION

A. Asset Management/Utilisation

1	Capital Expenditure to Total Expenditure	10% - 20%		1%	District Municipalities have no capital projects as infrastructure is maintained by Local Municipalities.
			Total Operating Expenditure	61 016 439	
			Taxation Expense	-	
			Total Capital Expenditure	468 053	
2	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	0%		2%	No Impairment of PPE during the 2015/16 financial year.
			PPE, Investment Property and Intangible Impairment	339 367	
			PPE at carrying value	20 605 642	
			IP at carrying value	-	
3	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	8%		3%	The majority of ZFM's PPE value is Land which has no maintenance on it.
			Total Repairs and Maintenance Expenditure	709 122	
			PPE at carrying value	20 605 642	
			Investment Property at Carrying value	-	

B. Debtors Management

ZFM has no consumer debtors.

C. Liquidity Management

1	Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	1 - 3 Months		0.2 Month	ZFM district municipality experienced cash flow problems during the 2015/16 financial year. Refer to Note 47, Management's Going Concern Assessment for more detail.
			Cash and cash equivalents	3 715 700	
			Unspent Conditional Grants	2 606 670	
			Overdraft	-	
			Short Term Investments	-	
			Total Annual Operational Expenditure	59 858 845	
2	Current Ratio	1.5 - 2:1		0.37	Current liabilities will be funded by the 2016/17 Equitable Share. This comes from prior years and will decrease every year due to the implementation of an Operational Efficiency Plan and Cash Flow Management Plan. Refer to Note 47, Management's Going Concern Assessment for more detail.
			Current Assets	4 978 592	
			Current Liabilities	13 520 556	

D. Liability Management

1	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%		0%	ZFM has only Long-term liabilities and do not borrow money for operations.
			Interest Paid	34 959	
			Redemption	104 410	
			Total Operating Expenditure	59 858 845	
2	Debt (Total Borrowings) / Revenue	45%		0%	ZFM has only Long-term liabilities and do not borrow money for operations.
			Total Debt	0	
			Total Operating Revenue	58 405 920	
			Operational Conditional Grants	55 981 542	

APPENDIX H

ZF MGCAWU DISTRICT MUNICIPALITY

RATIO ANALYSIS

30 June 2016

RATIO	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	MUNICIPAL COMMENTS
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E. Sustainability

1	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	100%		7%	Unspent Grants are cash-backed by Cash and Cash Equivalents. Accumulated surplus will be addressed by Management's Going Concern Assessment, refer to Note 47.
			Cash and cash Equivalents	3 715 700	
			Bank Overdraft	-	
			Short Term Investment	-	
			Long Term Investment	-	
			Unspent Grants	2 606 670	
			Net Assets	-	
			Share Premium	-	
			Share Capital	-	
			Revaluation Reserve	-	
			Fair Value Adjustment Reserve	-	
			Accumulated Surplus	-15 767 767	

2. FINANCIAL PERFORMANCE

A. Efficiency

1	Net Operating Surplus Margin	= or > 0%		-4%	ZFM is a non-profit organisation.
			Total Operating Revenue	58 405 920	
			Depreciation - Revalued Portion <i>(Only populate if depreciation line item in the</i>		
			<i>Total Operating Expenditure</i>	61 016 439	
			Taxation Expense	-	

B. Distribution Losses

ZFM has transferred the distribution of water and electricity to Local Municipalities

C. Revenue Management

ZFM has limited revenue as all services were transferred to local Municipalities

D. Expenditure Management

1	Creditors Payment Period (Trade Creditors)	30 days	Trade Creditors - Creditors Control	25 days	Creditors were paid within 30 days
			<i>(Trade Creditors above exclude an invoice of R662 221 received on year-end)</i>	703 286	
			Contracted Services	28 252	
			Repairs and Maintenance	709 122	
			General expenses	8 988 349	
			Bulk Purchases	-	
			Capital Credit Purchases <i>(Capital Credit Purchases refers to additions of Intangible Assets and Property, Plant and Equipment)</i>	468 053	
2	Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%		0.44%	Refer to Note 35 for detailed explanations.
			Irregular, Fruitless and Wasteful and Unauthorised Expenditure	268 773	
			Total Operating Expenditure	61 016 439	
			Taxation Expense	-	

APPENDIX H

ZF MGCAWU DISTRICT MUNICIPALITY

RATIO ANALYSIS

30 June 2016

RATIO	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	MUNICIPAL COMMENTS
3	25% - 40%		74%	The only function of the district is to render support to Local Municipalities, therefore ZFM need the personnel capacity to render these services.
		Employee/personnel related cost	41 773 938	
		Councillors Remuneration	3 289 960	
		Total Operating Expenditure	61 016 439	
		Taxation Expense	-	
4	2% - 5%		0.05%	ZFM has limited contracted services.
		Contracted Services	28 252	
		Total Operating Expenditure	61 016 439	
		Taxation Expense	-	

E. Grant Dependency

1	Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure	None		540%	Total Capital Expenditures can be funded by internally generated funds and borrowings.
			Internally generated funds	2 424 378	
			Borrowings	102 157	
			Total Capital Expenditure	468 053	
2	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	None		518%	Total Capital Expenditures can be funded by internally generated funds.
			Internally generated funds	2 424 378	
			Total Capital Expenditure	468 053	
3	Own Source Revenue to Total Operating Revenue(Including Agency Revenue)	None		4%	ZFM has limited own source of revenue as all the functions were transferred to Local Municipalities.
			Total Revenue	58 405 920	
			Government grant and subsidies	55 981 542	
			Public Contributions	-	
			Capital Grants	-	

3. BUDGET IMPLEMENTATION

1	Capital Expenditure Budget Implementation Indicator	95% - 100%		78%	Cost containment measures were implemented without influencing service delivery which is support services. The fleet was not replaced as budgeted for due to unsuccessful tender processes.
			Actual Capital Expenditure	468 053	
			Budget Capital Expenditure	602 445	
2	Operating Expenditure Budget Implementation Indicator	95% - 100%		96%	Refer to the Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2015 for detailed explanations.
			Actual Operating Expenditure	61 016 439	
			Budget Operating Expenditure	63 873 864	
3	Operating Revenue Budget Implementation Indicator	95% - 100%		90%	Shared Services of R2.9million did not realised during 2015/16 financial year as budgeted for. Budgeted VAT Income of R1 million was received against VAT Receivables
			Actual Operating Revenue	58 405 920	
			Budget Operating Revenue	64 966 500	